



INVESTMENT OPPORTUNITY IN KUMASI/ASHANTI REGION OF GHANA - REAL ESTATE

1.0 EXECUTIVE SUMMARY

Thanks to the flourishing and stable national economy, Ghana's real estate sector offers sound opportunities. The growing middle class, business people, foreign expatriates and Ghanaian expatriates investing in Kumasi are driving demand for mid-priced properties.

There is also a severe shortage of low to middle-income housing, which accounts for most of Ghana's estimated shortfall of one million residential units. To address this deficit and accommodate new households, there is the need for an annual delivery of about 150,000 units of lower priced housing for the next 20 years. The current annual supply is however between 30,000 and 40,000 according to the Business and Financial Times.

The business environment is favorable to real estate investors. Capital, profits and dividends are freely transferable, there are guarantees against expropriation, and double taxation agreements have been signed with several countries. Though the Kumasi Metropolitan Assembly (KMA) does not have a land bank, some land owners hold large tracts of land that they are willing and ready to lease for investments in real estate. In 2003 the Government of Ghana in partnership with the World Bank, launched the Land Administration Project (LAP) to develop policy and institutional reform to build a fair, efficient, cost effective land sector and crucially deliver land tenure security.

Mortgage lending is relatively well established, thanks to the existence of mortgage houses such as HFC Bank and Ghana Home Loans. This concept of property loans is well entrenched in Ghana compared to many developing countries.

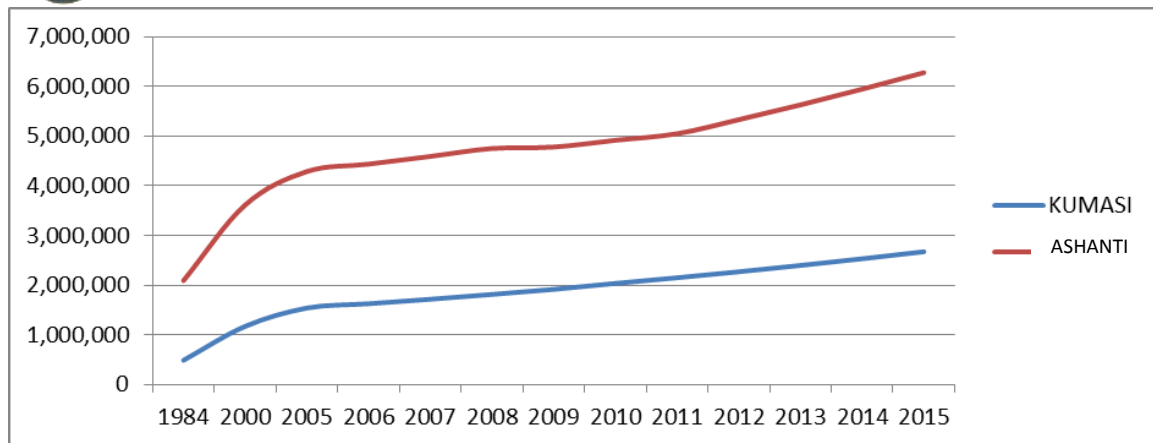
2.0 INTRODUCTION TO THE ASHANTI REGION AND KUMASI

With some 5 million inhabitants (4,780,380 according to the 2010 national census), the Ashanti Region is the most populous region in Ghana. The region occupies a total land area of 24,389km² (approximately 10 percent of total land in Ghana) and has Kumasi as its regional capital.

Kumasi is located centrally in the Ashanti Region, forming an important transport and commercial hub for both domestic and international traffic. It is the key transportation link between the south and north of Ghana as well as the surrounding landlocked countries. It has a national airport with several flights a day to Accra, Tamale and Takoradi.

Kumasi's daytime population is estimated to reach 2.5million people because of its role as a commercial centre. Officially, Kumasi recorded 2,035,064 inhabitants in 2010. The city's population is growing fast; it has almost doubled since 2000, from a little over 1 million people.

Figure I: Population Trend: The Ashanti Region and Kumasi, 1984 to 2015



Source: KMA Statistics, 2012

Kumasi's strategic geographic location makes it a brisk commercial and administrative centre, and it is often regarded as the commercial capital of Ghana, with West Africa's largest open-area market, the Kumasi Central Market. Estimated market reachable within 1 day of ground travel is approximately 12 million consumers (Ashanti region and surrounding regions, approx. half of Ghana's population).

Kumasi has already proved attractive to a number of large foreign investors. Agro-processing giant Archer Daniels Midland (ADM) has been operating a cocoa processing facility in Kumasi since July 2009. Other major players with active presence include Coca Cola and Guinness which both have bottling plants in the City. Other international companies with offices in Kumasi include Maersk, Barclays Bank, Standard Chartered Bank and Unilever, which has been operating in Ghana for over 70 years.

Ghana is divided into ten administrative regions. Each region is headed by a Regional Minister appointed by the President. The principal units of local government are the district assemblies. There are three kinds of districts in Ghana – districts, municipalities and metropolis. Between the district assemblies and the central government are the regional coordinating councils. The role of these bodies is to administer and coordinate policy implementation at the local level. Kumasi is administered by the Kumasi Metropolitan Assembly, with the Mayor serving as the city's chief executive officer. The Ashanti region as a whole is under the purview of the regional minister.

The institution of chieftaincy is very pronounced in the Ashanti region and plays a significant role in its management, especially in the area of land administration. Most land in the Ashanti is administered by the Asantehene (Ashanti King) and relatively small portions belong to the state under the administration of the Lands Commission. The Asantehene is assisted by a variety of chiefs ranging from paramount, divisional and sub chiefs, stool and clan elders who all play roles in land acquisition with the Asantehene playing the ultimate role.

Kumasi is home to numerous educational institutions, including the largest science and technology university in Ghana and in West Africa, the Kwame Nkrumah University of Science and Technology (KNUST), which has a student population of over 31,000 students comprising both undergraduate and postgraduate students.



Kumasi's location at the centre of the Ashanti Region and of Ghana, coupled with its good road network and airport, makes it the preferred trading centre for most of the surrounding regions and is an important commercial centre for West Africa. Kumasi serves as the commercial hub for the neighbouring Brong-Ahafo region, the three northernmost regions of Ghana, and parts of the Western and Eastern regions, creating a potential market of about 12 million people. An investor can access landlocked Burkina Faso, Mali and Niger with a total potential market of over 48 million people. Merchants from these landlocked countries trade at the Kumasi Central Market, West Africa's largest open air market — to the extent that a section of the market has come to be called the "French line".

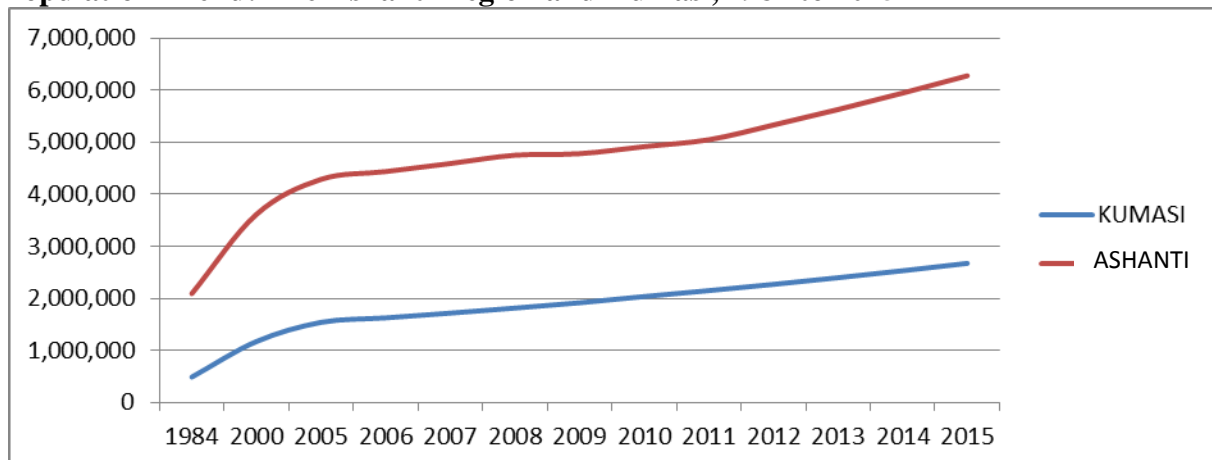
Through Ghana's membership in the Economic Community of West African Countries (ECOWAS), Kumasi potentially serves an even larger market of over 250 million people.

3.0 MARKET OPPORTUNITY

With some 5 million inhabitants (4,780,380 according to the 2010 national census), the Ashanti Region is the most populous region in Ghana. The region occupies a total land area of 24,389km² (approximately 10 percent of total land in Ghana) and has Kumasi as its regional capital.

Kumasi's daytime population is estimated to reach 2.5million people because of its role as a commercial centre. Officially, Kumasi recorded 2,035,064 inhabitants in 2010. The city's population is growing fast; it has almost doubled since 2000, from a little over 1 million people. This growth presents an enormous opportunity for the development of housing units.

Population Trend: The Ashanti Region and Kumasi, 1984 to 2015



Source: KMA Statistics, 2012

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



Ghana's current residential property demand is estimated at 150,000 units per annum, with a shortfall of over 100,000 housing units. Current production of residential properties averages only 35,000 units per annum, implying a significant annual supply gap.

Residential property rents range from US\$1,500 to US\$3,500 per month for high end housing and apartments. Construction costs range from US\$250-1,000 per m² for buildings. The total number of houses as of 2010 compared with the number of households indicated acute overcrowding in most houses. On the average, there are about 7.3 persons living in each house in Ghana. Ashanti region recorded 8.3, higher than the national average, corresponding with its high population density. The 2010 PHC also indicated that the average household size in Ghana is 4.4 persons with about 1.6 households per house, and a total of 3,392,745 housing units nationwide. This number of households vis-a-vis the population is clearly inadequate. For instance if every household of 4.4 persons were to have a separate unit of housing then all things being equal, with a population of about 25 million, Ghana will need a total of 5,604,277 housing units.

Table I: Stock of houses and households by region, 2010

Region	Total Population	No. of Houses	No. of Households	Distribution of Houses (%)	Rural share of housing stock	% increase in housing stock over 2000	Households per house	Population per house	Average household size
All Regions	24,658,823	3,392,745	5,467,136	100.0	57.7	60.1	1.6	7.3	4.4
Western	2,376,021	380,104	553,635	11.2	67.5	51.4	1.5	6.3	4.2
Central	2,201,863	346,699	526,764	10.2	61.8	60.8	1.5	6.4	4.0
Greater Accra	4,010,054	474,621	1,036,426	14.0	13.0	73.4	2.2	8.4	3.8
Volta	2,118,252	399,953	495,603	11.8	72.2	53.8	1.2	5.3	4.2
Eastern	2,633,154	431,697	632,048	12.7	64.1	54.1	1.5	6.1	4.1
Ashanti	4,780,380	574,066	1,126,216	16.9	53.0	81.9	2.0	8.3	4.1
Brong Ahafo	2,310,983	331,967	490,519	9.8	63.4	56.8	1.5	7.0	4.6
Northern	2,479,461	257,311	318,119	7.6	71.3	47.5	1.2	9.6	7.7
Upper East	1,046,545	114,034	177,631	3.4	79.2	30.4	1.6	9.2	5.8
Upper West	702,110	82,293	110,175	2.4	85.4	62.3	1.3 8.5	8.5	6.2

Source: 2010 Housing and Population Census (PHC)

Table I indicates that the total stock of houses in the country is 3,392,745. The proportion of houses in rural areas (57.7%) is higher than those in urban areas (42.3%). The data further shows



that the stock of houses increased by 60.1 percent compared with the figure recorded in the year 2000. The regional distribution shows that Ashanti (16.9%) has the highest proportion of houses. This may be attributed to many factors such as ready markets, followed by Greater Accra (14.0%) and Eastern (12.7%) regions. The Upper West region has the lowest proportion of the housing stock (2.4%). Compared with the 2000 Census data, there are marked differences in the percentage change in housing stock across regions. The increase is highest in Ashanti (81.9%) and lowest in Upper East (30.4%).

The population per house is 7.3 and ranges from a low of 5.3 in the Volta region to a high of 9.6 in the Northern region.

Table II: EXTRACT CENSUS 2010: ASHANTI REGIONAL HOUSING CHARACTERISTICS

Type of dwelling	Number	Percentage of dwelling units
Separate house	289,053	24.7%
Semi-detached	92,150	7.9%
Flat /Apartment	93,513	8.0%
Compound house	610,164	52.2%
Huts/Buildings (same compound)	23,888	2.0%
Huts/Buildings (different compound)	4,721	0.4%
Tent	1,905	0.2%
Improvised home (kiosk, container)	18,219	1.6%
Living quarters attached to office/shop	4,158	0.4%
Uncompleted buildings	28,938	2.5%
Other	2,321	0.2%
Total	1,169,030	100%

Table II shows that there are 1,169,030 dwelling units in the region. The data also shows that most households reside in rooms in compound houses (52.2%) and separate houses (24.7%). This observation is reflected across regions. Makeshift dwelling units such as tents, kiosks, containers and attachment to shops or offices together constitute 2.0 percent. In all regions, the proportion of makeshift structures is less than one percent except Greater Accra (6.2%) and Ashanti (1.6%) which have relatively higher proportions of makeshift structures.

4.0 WHY BUILD RESIDENTIAL REAL ESTATE IN KUMASI



Recently the Ashanti Region has experienced a considerable increase in economic activity. The capital of the Ashanti Region and Ghana's second largest city is growing at a faster rate than Accra, the national capital. There is also relatively less competition in the real estate sector in Kumasi in comparison to the national capital.

Kumasi is considered as the centre for commerce and transport – it is en route between Ghana's ports in the south and the landlocked countries to the north, and is situated in a region rich in agriculture and natural resources.

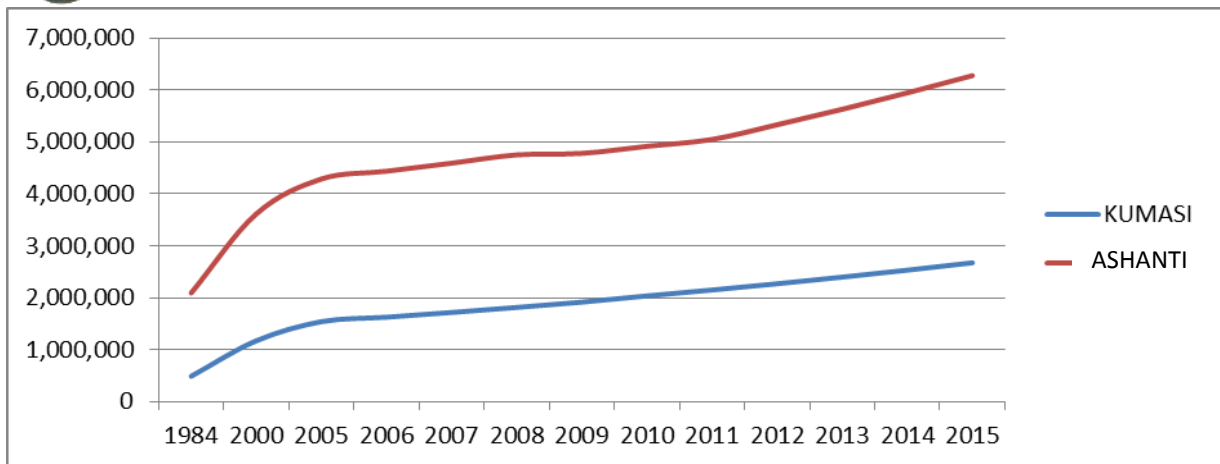
The unique centrality of the city as a traversing point from all parts of the country makes it a special place for many migrants. It's beautiful layout and greenery has accorded it the accolade of being the "Garden City of West Africa". The metropolis has a circular road network pattern comprising five major arterial primary roads linking Kumasi to other parts of the country and they all radiate from the centre of the city. These are the Accra Road, the Tamale Road, the Wa Road, the Sunyani Road and the Cape Coast Road.

Kumasi is endowed with institutions and companies that provide inputs and offer services in the real estate sector. Services offered by these companies include architectural services and civil services, construction equipment services and inputs such as sanitary wares, doors and windows, wall and floor decorations, etc.

Kumasi can boast of a specialized labor force with advanced education to support the real estate sector. Examples of skilled labor in the region are plumbers, engineers, builders, architects, etc. According to the 2010 PHC, out of the 1,894,958 population of 15 years and older by level of education, 61,272 had attended Senior High School; 55,010 vocational/technical school; 71,222 Diploma/HND; 41,493 Bachelor Degree and 10,208 had postgraduate certificate.

Out of the total of 2,976,462 population of 15 years and older by activity in the region, 2,073,016 are economically active and out of this figure 1,929,018 are employed. Out of the total of 1,963,012 population of 15 years and older by occupation in the region, 73,181 are involved in construction and 495 are in real estate.

Population Trend: The Ashanti Region and Kumasi, 1984 to 2015



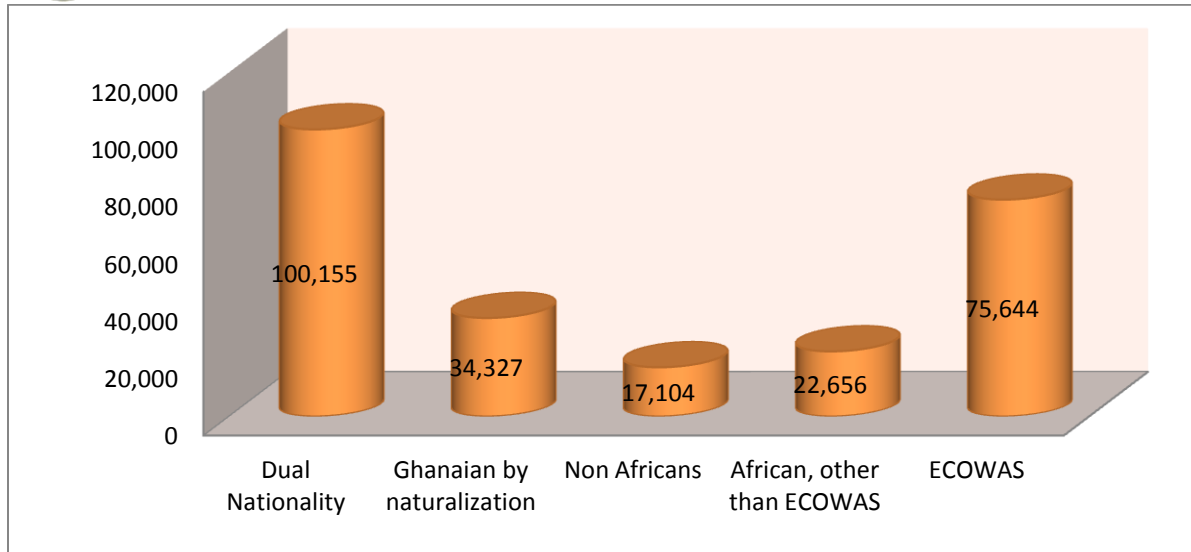
Source: KMA statistics, 2013

Costs of production in Kumasi, e.g labor, land acquisition, suppliers, and overheads and so on are relatively low.

Land owners are willing to lease land to real estate investors. Raw materials and equipment such as heavy duty machines are available to be hired or purchased. Overhead costs are also relatively lower in Kumasi than Accra and other cities in the sub region. Its unique centrality and superb road network lessens the burden of communication and transport. Kumasi is the focal point when it comes to doing business in Ghana at a relatively lower cost.

Wealthy groups, including business people, foreign and Ghanaian expatriates are investing and relocating to Kumasi. Recent years have also brought increasing demand from affluent Nigerians and other West Africans, who look on Ghana as a relatively safe and stable place to invest and have a second, or even first, home. Some send their children to school and university in Kumasi, and rent properties for them.

Figure II : Foreign Community in Ashanti Region 2010



Source: 2010 National Population Census

The deeds registry has been decentralised to the regional level. Deed registration has been reduced to two months since mid-2010, according to the World Bank, from 36 months previously. The time for registration of deeds of sale with the lands commission has been cut from 135 days to 34 days, thanks to a ministerial directive in 2006.

One of the most important steps was the passing of the Lands Commission Act 767 in 2008, which strengthened and streamlined arrangements for land administration. The newly established Customary Land Secretariats had compiled 58,000 land records by mid-2010 and pilot activities in areas including land use planning, land courts, deed registration and valuation, have provided information that could be scaled up

5.0 POTENTIAL LOCATIONS AROUND KUMASI

The following areas have been identified as suitable locations for affordable housing projects. These sites have been identified because of the proximity to the city centre and the general availability of land.

- Ejisu Juabeng
- Pekiye 1
- Pekiye 2
- Apire

The Kumasi City Investment Promotion Unit (KCIPU) of the KMA will assist a potential investor with the identification of specific land and facilitate the land acquisition process



6.0 SUPPORT PROVIDED BY KUMASI MUNICIPALITY AND KUMASI REGIONAL ADMINISTRATION

The Kumasi City Investment Promotion Unit (KCIPU) of the KMA will assist a potential investor with the identification of specific land and facilitate the land acquisition process.

The KCIPU will also assist potential investors in securing building permits for their projects. Building permits are building development consents granted to a prospective developer by the KMA to construct buildings or related structures in an approved location, within a set time frame and in line with local or national building regulations. The permit provides the necessary guarantee that a proposed building or related structure is to a large extent suitable for construction.

INVESTMENT INCENTIVES

The city hosts major international and local finance institutions that a potential investor can benefit from. There are 25 banks and one mortgage finance institution in the country. All these banks are universal in nature and provide support for the real estate sector.

The International Finance Cooperation (IFC) of the World Bank Group is also very active in providing support for the real estate sector in the country. Under the SECO IFC Ghana Primary Mortgage Market Initiative, IFC is providing partial credit guarantees and advisory services to local banks, to help them play an active role in the housing sector.

Further information available

- Ghana Statistical Service: 2010 Population and Housing Census Summary o Final Results. May 2012
- Ghana Investment Promotion Centre: GIPC Act 418 (1994)

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- August 30, 2013

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