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GHANA SNAPSHOT
Q3:2018

Economic Overview

In recent years, Ghana has faced major economic challenges, particularly between 2014 - 2016. Such challenges included the depreciation of the Cedi, a deteriorating fiscal deficit and declining economic growth. These difficulties, amongothers, led to the country seeking economic assistance (a bailout) from the IMF in April 2015. Currently, under the new government, the country appears to be making significant progress in stabilizing the economy, marked by notable improvements in macro-economic indicators.

Ghana's economic growth rate for 2017 was 8.5%; more than double the 2016 performance of 3.7%. Whilst the economy has expanded by 5.4% year-on-year in the second quarter of 2018, the Ghana Statistical Services estimates that by year-end, the GDP growth rate will be 8%.

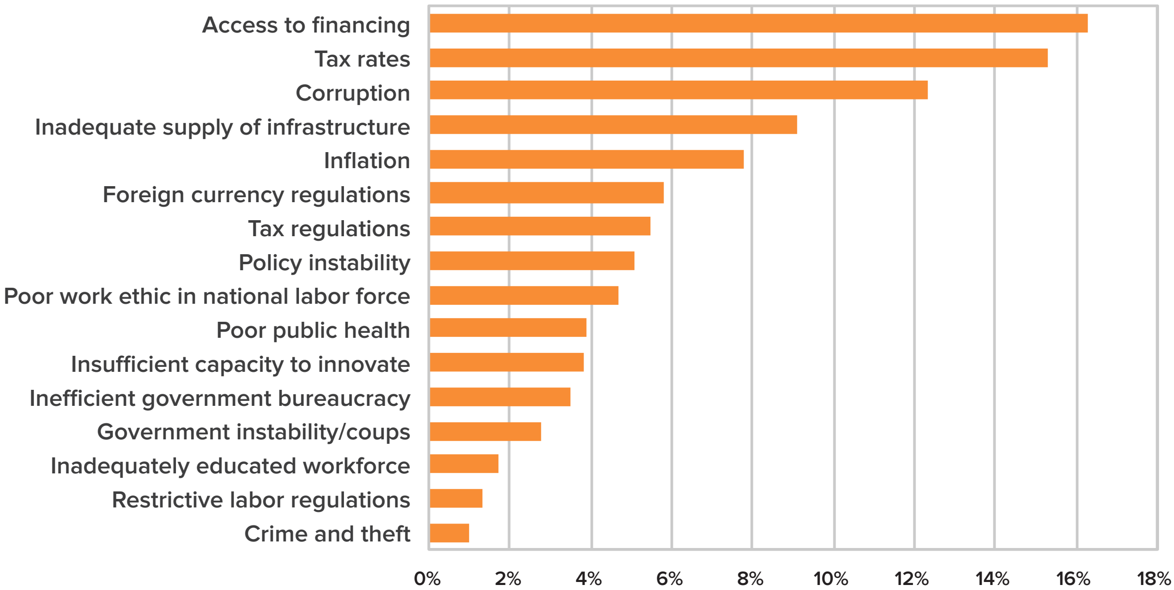
The IMF visited Ghana in September 2018, to conduct the 7th review of the country's economic programme, supported by the Extended Credit Facility (ECF). The team remarked that, among other aspects, the country's growth prospects remain strong, supported by robust oil and cocoa production.

Additionally, Standard & Poor's upgraded Ghana's rating on Monetary Policies Effectiveness to B from B-, signifying the improvements in the economy's stability.

Although, inflation eased to 9.6% in July 2018 and then edged up to 9.9% by August, it dropped slightly to 9.8% in September. This consistent single digit performance has allowed the Bank of Ghana to maintain a reduction in the Monetary Policy rate over the period significantly to 17%, in comparison to 21% in 2017. The average lending rate has also declined from 29.25% in January 2018 to 26.98% as at August.

The government, in recent times, has strengthened both the expenditure discipline and tax compliance measures as adopted in the mid-year budget review; yet, pressure remains on the Cedi. On a positive note, according to the Bank of Ghana the Cedi's rate of depreciation against the US$ was 7% as at September 2018, this is the second best rate recorded since 2012, with the best being 4.9% in 2017, and the worst being 31.3% in 2014. As at September 2018, the Cedi traded at an average of GH¢4.78/US$, GH¢6.25/£ and GH¢5.58/€.

Problematic Factors for Doing Business



Source: World Economic Forum

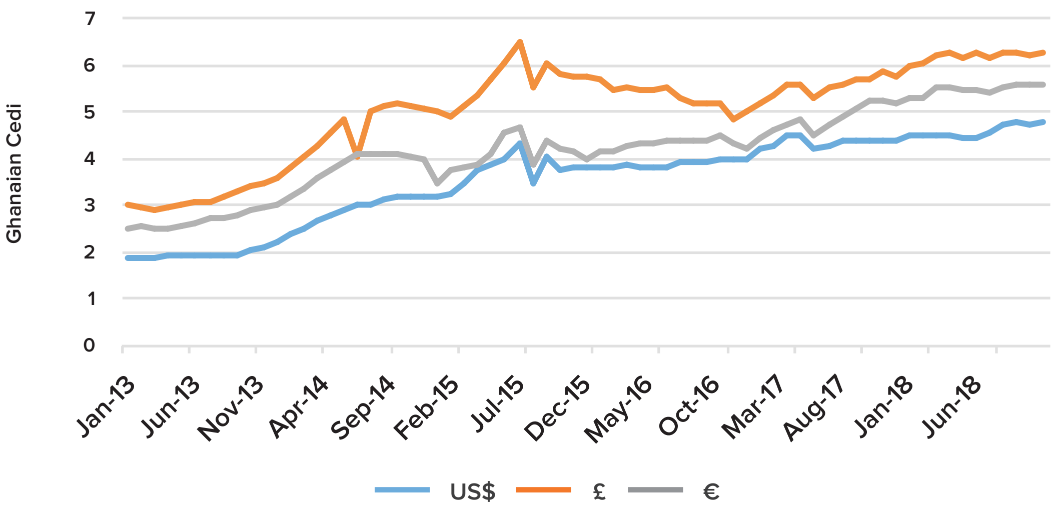
Fiscal structural reforms continue to be evident, particularly regarding State-Owned Enterprises (SOE's) and public institutions; this remains a critical instrument in anchoring expenditure controls and lasting fiscal discipline.

Ghana's drive to improve medium-term prospects for economic growth, create a resilient financial system, as well as ensure improved access to credit and financial inclusion, are still in focus. The financial sector vulnerabilities, such as the huge stock of non-performing loans, capital inadequacy ratios, etc. are also being addressed. To this end, the Bank of Ghana took over and consolidated five banks in 2018 after the acquisition of two in 2017.

The 2017 and 2018 Budgets presented tax reviews for the Real Estate Sector, including a 5% cut on Real Estate Sales Tax and a tax waiver on Real Estate and Investment Trusts (REITS). This is expected to boost the sector by enhancing growth, as well as assist in reducing the country's housing deficit.

Overall, Ghana still remains in a transition stage, with the property market remaining relatively flat, as it will take some time for the positive effects of implemented policies and positive macroeconomic indicators to filter through to the real estate sector.

Exchange Rate – Official Market



Source: freecurrencyrates.com

Facts about Ghana

Size: 239,460km²
Capital City: Accra
Total Population: 29.5million (2018 est)
Youth Dependency: 67% (2017)
Elderly Dependency: 6% (2017)
Internet Users: 23.3 per 100 people (2018 est)

GDP Growth: 5.4% (Q2:2018)
GDP Growth Forecast: 6.7% - 8% (2018 est)
Inflation Rate: 9.8% (Sept 2018)
Interest Rate: 17% (Sept 2018)
Ease of Doing Business Ranking/190: 114 (2019)
Global Competitiveness Ranking/137: 111 (2017/2018)

Retail Market Overview

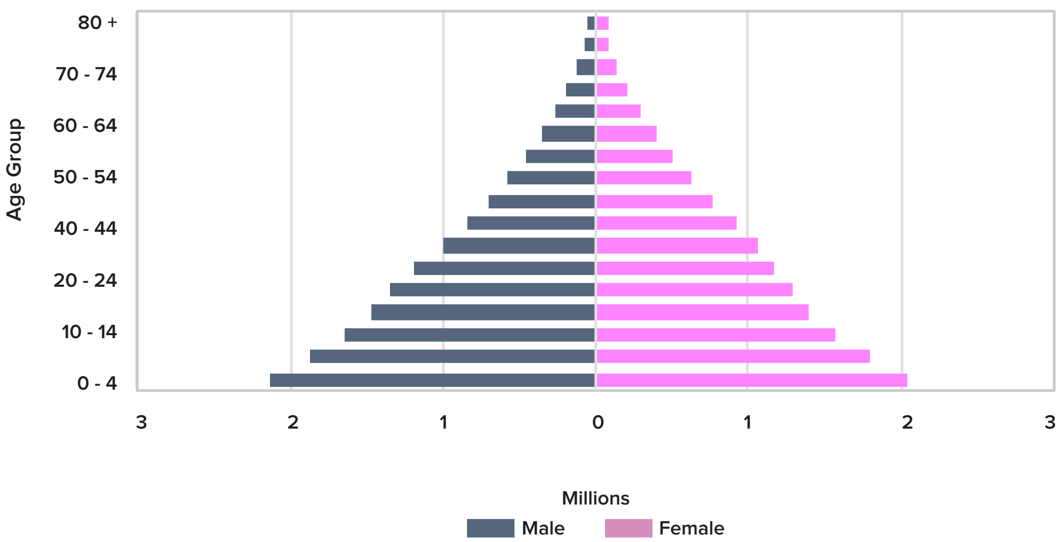
Since 2017, the western-styled retail sector in Ghana has experienced challenging times; as take-up of retail space has been weaker than expected. Little to no activity has been recorded, with virtually the same players and products being evident, with no significant changes imminent. Although the Cedi has been relatively stable against major foreign trading currencies over the stated period, the financial sector challenges, lay-offs and reduced government spending, among others, have adversely impacted the formal retail market.

Transactions and earnings are made in local currency, whereas rents are dollarised. High exchange rates, coupled with lowering sales patterns, have negatively impacted upon tenants' profitability; consequently hindering the ability of retailers to effectively take-up or expand spaces in western-style malls. Additionally, existing tenants within these malls are struggling with rent escalations and the cumulative impact of previous Cedi depreciations that have occurred. Despite the improvements in inflation trends, the current economic situation is yet to impact positively on the spending power of consumers.

Leasing activities are still ongoing for existing and upcoming retail outlets/malls. The 11,491m^2 Takoradi Mall, scheduled to be completed towards the end of 2018, has secured Shoprite as an anchor and has registered interests from known tenants, as well as from new local brands looking to expand. Moreover, interest for space in malls within the secondary retail markets appears to be increasing.

Given the significant impact that the exchange rates of major foreign currencies have on the retail market, the future of the sector is strongly tied to the performance of the macroeconomic indicators. As such, the Cedi's depreciation, which has only recently begun to show signs of recovery, is very positive for the retail market.

Population: 2017



Source: Population Pyramid

Office Market Overview

As a result of tough economic conditions, activity in the office sector remains relatively flat. Tenant enquiries continue, but effective demand remains low with the take-up of space ranging from $80m^2$ to $150m^2$. Unfortunately, due to the collapse of seven banks (mentioned in the economic overview section of this report), a considerable amount of space is expected to come onto the market. It is estimated that no less than 30%, which translates to about 57, of the 191 bank branches of these previous entities are expected to fall within this category.

Notwithstanding the tough economic conditions, the competitive advantages of the core nodes (Ridge and Airport City) continue to drive activity, as preference for these locations remains high. Activity within this market is also tied strongly to the performance of the Cedi and the economy as rents are dollarised.

Interestingly, large corporates have built, or are in the process of developing, their own head offices and are moving out of rented premises, some attributing the reason to escalating rental charges. Typical examples include, but are not limited to, Ecobank Ghana, MTN Ghana, and VIVO, with EY being in the pipeline. This trend is expected to continue and could result in increased vacancies within rented premises.

At least $41{,}779m^2$ of A-grade space, including Atlantic Towers, SCB Towers, Volta Place and 335 Place, have added to the existing stock in Accra in 2018 alone. Rentals remain stable, with fewer additional take-ups being noted. To retain existing tenants, landlords in certain instances offer concessions, such as rent reductions and reviewed payment terms. It is anticipated that as supply is continually outstripping demand, rents will continue to fall in the next six to twelve months. Minimal activity has been recorded in the secondary markets.

The general preference for core markets should assist in keeping demand stable. Net rentals for A-grade spaces are currently between US$30/$m^2$/month - US$35/m^2/month.

Industrial Market Overview

Performance in the industrial market is improving, with yields on properties averaging 12% per annum and a positive second quarter GDP growth rate estimated at 11.1%. Supply increased by an estimated 103,160m^2 in 2016 and 130,000m^2 in 2017. Additional supply, as at the third quarter of 2018, is estimated at 18,000m^2; available in the free zones enclave.

The high-end warehousing facilities are operated by by players such as Agility Distribution Park Ghana and Rolider Limited, with rents at US$9/m^2/month – US$10/m^2/month. These facilities have temperature-controlled capabilities and a fire rating of two hours, amongst a number of other features. Notable projects in the pipeline include WestPark by BlackIvy and Appolonia City Business Park, which is set to include industrial portions.

The Government also launched its flagship "One district One factory" (1D1F) initiative in 2017, which is expected to establish 275+ factories nationwide. Early 2018, the 1D1F secretariat indicated that 69 business plans have been completed. 28 of the plans have been submitted to the GCB Bank, while the remaining 41 have been submitted to the Ghana Exim Bank for further action.

A significant development within Ghana is the 11km railway line, which is expected to link the Tema Free Zone Enclave and other developments to the Tema Harbour. On completion, the project is expected to make transportation of goods to the port easier and will thus positively impact upon the industrial market.

The current trajectory of Ghana's industrial sector is expected to continue, on the back of continued economic recoveries. Thus, in the medium term, supply is expected to increase with the completion of major projects.

Market Indicators (Accra) – Q3:2018

	RETAIL	OFFICES			INDUSTRIAL
	Prime Space (50m^2 - 200m^2)	A-grade	B-grade	C-grade	Prime Space
Demand - Next 6 Months (Up/Down/Stable)	▼	▶	▶	▶	▲
Supply - Next 6 Months (Up/Down/Stable)	▶	▲	▶	▶	▲
Average Net Asking Rent (US$/m^2/month)	40 - 70	30 - 35	18 - 25	12 - 15	4 - 7
Average Vacancy Rate (%)	20%	25%	25%	15%	35%
Average Yield (%)	8% - 9%	8.5%	10%	13%	9%

Source: Broll Database

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