

# Real Estate Market in Ghana: A Comprehensive Analysis

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## ■ I. Introduction

### **A. Background of the real estate market in Ghana**

The real estate market in Ghana has experienced considerable growth over the past few decades due to rapid urbanization, population growth, and increased foreign investment. The rising middle class and expanding expatriate community have further propelled the demand for modern, well-constructed housing. However, the demand for housing in Ghana continues to outpace supply, leading to a housing deficit estimated at 2 million units. However, the market presents opportunities for developers and investors, particularly in the sustainable and eco-friendly housing segments.

### **B. Purpose of the research analysis paper**

This research analysis paper examines the investment opportunities in the Ghanaian real estate market and explores how it is open to new initiatives for both local and international stakeholders. It will identify existing gaps and explore emerging niches, as well as government policies, incentives, and regulations. The findings will enable stakeholders to make informed decisions.

## ■ II. Overview of the Ghanaian Economy

The Ghanaian economy is a diverse and resource-rich one with a strong focus on agriculture, industry, and services sectors. It has experienced consistent growth over the past few years, with an average annual growth rate of around 5-6%. The country is endowed with abundant natural resources, including gold, bauxite, manganese, oil, and gas. Agriculture is the country's primary export, and the industrial sector contributes 25%-30% of GDP. Services are the largest contributor to GDP, and the Ghanaian currency is the Ghanaian cedi (GHS).

Inflation and interest rates have been stable in recent years, and external debt has been on the rise. Ghana is an active participant in international trade, and is a member of the African Continental Free Trade Area and the Economic Community of West African States (ECOWAS).

## **A. General economic indicators**

Ghana has experienced consistent economic growth in recent years, leading to an increase in its Gross Domestic Product (GDP). It is fueled by agriculture, industry, and services sectors, as well as natural resources. Initiatives such as infrastructure improvement, industrialization, and attracting foreign investment have also contributed to the growth. Inflation and interest rates are key indicators of an economy's health and can significantly impact economic growth and stability. In Ghana, the inflation rate is around 8-9%, and the Bank of Ghana has been implementing monetary policies to maintain price stability.

Interest rates play a critical role in influencing borrowing, investment, and consumption. Population growth and urbanization have also been on the rise, with 56.8% of the population living in urban areas as of 2021. This has resulted in increased pressure on resources and infrastructure in major cities, leading to challenges such as inadequate housing, traffic congestion, and limited access to basic amenities.

## **B. Role of the real estate sector in the Ghanaian economy**

The real estate sector in Ghana contributes to GDP by providing housing, commercial spaces, and industrial properties. This growth is attributed to the government's focus on housing development, public-private partnerships, and policies aimed at making housing more affordable and accessible. Employment opportunities are created in construction, which involves architects, engineers, quantity surveyors, project managers, masons, carpenters, plumbers, electricians, painters, and laborers. The real estate sector in Ghana plays a significant role in infrastructure development, creating employment opportunities for both skilled and unskilled workers in the construction industry and its associated services. Examples of employment generation include the Affordable Housing Real Estate Investment Trust (REIT) and the National Housing and Mortgage Fund (NHMF). Additionally, the sector can attract businesses to the area, leading to the development of additional infrastructure such as shopping centers and recreational facilities.

### **III. Key Drivers of the Real Estate Market in Ghana**

#### **A. Demand factors**

##### **1. Growing middle class**

The key drivers of the real estate market in Ghana are the growing middle class population, which is growing rapidly, and the influx of foreign investors, who are investing in large-scale projects such as shopping malls, hotels, and office buildings. These investments provide much-needed capital for the construction of new properties and contribute to the growth of Ghana's economy through creating jobs and increased economic activity.

##### **2. Expatriate and diaspora populations**

The expatriate and diaspora populations are driving the real estate market in Ghana, with demand for high-end and luxury properties. Ghanaians in the diaspora invest in real estate in their home country to diversify their portfolios and build wealth.

##### **3. Housing deficit**

Ghana is facing a housing deficit of over 2 million units in 2019, driven by rapid urbanization, population growth, and lack of access to finance for low- and middle-income households. The government has implemented policies and initiatives to increase the supply of affordable housing, but further investment and policy interventions are needed to address it.

#### **B. Supply factors**

##### **1. Government initiatives and policies**

The government of Ghana has implemented various policies and initiatives to address the supply-side challenges in the real estate sector. These include the establishment of the National Housing and Mortgage Fund (NHMF) with a capital injection of GHS 1 billion, partnering with private developers to undertake affordable housing projects, offering tax incentives to developers, and improving access to land. These initiatives aim to increase the supply of affordable housing and address the housing deficit.

##### **2. Investment from the private sector**

The private sector is a major contributor to Ghana's real estate industry, providing mortgage financing and project financing to individuals and institutions. This has increased competition in the industry, leading to improved quality, affordability, and accessibility of real estate products and services.

### 3. Access to financing and mortgage availability

The availability of financing and mortgages in Ghana has been a challenge due to high cost of funds, high default rates, and lack of long-term financing options. In recent years, the government has established the National Housing Mortgage Fund (NHMF) with GHS1 billion to provide government-subsidized local currency mortgage loans. Private sector players have also established real estate investment trusts (REITs) and private equity firms have invested in Ghana's real estate sector. These efforts have improved access to financing and mortgages, stimulating growth in the real estate sector.

## IV. Market Segmentation and Analysis

### A. Residential real estate

#### 1. Affordable housing

Affordable housing is a major segment of the residential real estate market in Ghana, targeting households with an income range of GHS1,000 to GHS6,000 per month. The government has implemented policies and initiatives to address the housing deficit, such as the National Housing and Mortgage Fund (NHMF) initiative and the Real Estate Investment Trust's (REIT) scheme. The President has commissioned 204 affordable housing units in Tema and 200 units in three regional capitals. This segment of the market presents significant opportunities for investors, developers, and potential homeowners.

#### 2. Middle-income housing

Middle-income housing is a segment of the real estate market that caters to individuals and families who are not low-income earners but cannot afford high-end luxury properties. Developers have been able to tap into this demand by offering homes with modern amenities such as swimming pools, gym facilities, and recreational facilities.

#### 3. Luxury housing

Luxury housing in Ghana is a growing segment of the real estate market, catering to high net worth individuals and expatriates. Developers and investors are taking advantage of this trend by constructing luxury homes in prime locations. Growth is expected as Ghana's economy expands.

## **B. Commercial real estate**

### 1. Office spaces

The demand for office spaces in Ghana is driven by a variety of factors, including the growth of businesses and foreign investors, local entrepreneurs, and the service sector. However, there are still challenges such as limited availability of prime locations and high cost of construction and maintenance.

### 2. Retail spaces

Retail space is a major subsector of commercial real estate in Ghana, driven by the growth of the middle class and urbanization. This has led to the emergence of modern shopping malls and retail centers in cities such as Accra, Kumasi, and Takoradi. The growth of the retail sector has created employment opportunities and enabled entrepreneurs to invest in the development of retail centers and malls.

### 3. Industrial properties

The industrial real estate sector in Ghana has potential for growth due to the country's efforts to industrialize and diversify its economy. Factors driving demand include the growth of the manufacturing sector, e-commerce and logistics companies, and the need for storage and distribution facilities.

## **C. Land and property development**

### 1. Land acquisition and usage

The Ghanaian government has introduced initiatives to streamline the land acquisition process, such as the Land Administration Project and the Land Bill, to improve land administration, enhance land security, and reduce time and cost. This is essential for the growth of the real estate sector in Ghana.

### 2. Property development and construction trends

Property development and construction in Ghana has seen a growing demand for modern housing, commercial and industrial properties, and the adoption of innovative technologies such as BIM and modular construction. Prefabrication and offsite construction techniques are also being used to reduce the time and cost of construction projects.



### 3. Regulatory environment

Ghana's real estate sector is complex and fragmented, with multiple agencies and laws involved. Compliance with these laws is important for developers, investors, and property owners, and efforts are being made to improve the regulatory environment. This would help attract more investment and ensure sustainable growth.

## **V. Challenges and Opportunities in the Ghanaian Real Estate Market**

### A. Challenges

The Ghanaian real estate market is facing two major challenges: land acquisition and ownership issues and infrastructure constraints. Land tenure systems in Ghana often lead to disputes over land ownership, which poses a risk for investors. Infrastructure constraints also present opportunities for investors and developers who are willing to address these challenges. The Ghanaian real estate market is facing a significant challenge in terms of affordability. This is due to the high cost of housing, high interest rates, and lack of affordable financing options. Initiatives such as the National Housing and Mortgage Fund (NHMF) and Affordable Housing Real Estate Investment Trust (REIT) aim to provide affordable financing options and rent-to-own schemes. Private developers are also exploring innovative construction methods and technologies to reduce the cost of building and make housing more affordable.

### B. Opportunities

Public-private partnerships (PPPs) have the potential to unlock significant opportunities in the Ghanaian real estate market. PPPs can be leveraged to address the infrastructure deficit by facilitating the development of public infrastructure. Green and sustainable building practices have become increasingly popular due to the growing concern for the environment and the need to reduce the carbon footprint of buildings. They offer economic benefits such as lower operating costs, increased property value, and improved indoor air quality. The government of Ghana has supported green building practices through policies and initiatives, such as the Ghana Green Building Council.

## VI. Case Studies: Successful Real Estate Projects and Developments in Ghana

### A. Description and analysis of selected projects

Airport City, The Exchange, and Trasacco Valley are mixed-use development projects in Accra, Ghana. Airport City is a popular destination for businesses seeking premium office spaces, The Exchange is a modern office building with green building practices, and Trasacco Valley is a luxury residential development with modern amenities. These projects have attracted investors and contributed to the growth of Ghana's real estate market.

### B. Factors contributing to their success

The success of the selected real estate projects and developments in Ghana can be attributed to their strategic location, innovative design, government support, professionalism, and financing. These factors have helped to reduce the cost of construction and encourage developers to invest in the sector. Examples include the Marina Mall in Accra, which is located in a prime area with high foot traffic and accessibility.

### C. Lessons learned and best practices

Successful real estate projects in Ghana are often a result of strong partnerships and collaborations between the public and private sectors, innovative financing mechanisms, market research and demand analysis, attention to sustainability and green building practices, strong project management and execution, and careful consideration of the unique challenges and opportunities presented by each situation. These best practices can contribute to the success of real estate projects and developments in Ghana.

## VII. Future Outlook and Recommendations

Projected trends and developments in the Ghanaian real estate market

The demand for housing in Ghana is expected to continue to rise due to the government's efforts to address the housing deficit. Foreign investors are likely to show increased interest in the real estate market, as well as a shift towards sustainable and green building practices. Technological advancements are driving innovation in the real estate industry.

## B. Potential growth areas and investment opportunities

The Ghanaian real estate market is expected to continue to grow due to urbanization, population growth, and increasing demand for housing and commercial spaces. Investment opportunities include affordable housing, commercial spaces, and sustainable development. Investors should consider regulatory environment, infrastructure constraints, and affordability when making investment decisions.

## C. Recommendations for stakeholders, including government, developers, investors, and end-users

Government, developers, investors, and end-users should prioritize affordability and sustainability when purchasing or renting properties, and ensure they have access to reliable financing options. Government policies should encourage private sector investment, developers should incorporate green and sustainable building practices, investors should conduct due diligence, and end-users should prioritize affordability and sustainability.

## VIII. Conclusion

The real estate market in Ghana has seen significant growth and development in recent years, supported by government initiatives and private sector investment. However, the market still faces challenges such as infrastructure constraints, affordability concerns, and land acquisition and ownership issues. To address these challenges, stakeholders should consider public-private partnerships, green and sustainable building practices, and technological advancements in construction and property management. Despite these challenges, the Ghanaian real estate market presents opportunities for growth and investment, particularly in the affordable housing and middle-income segments. The real estate market in Ghana has been experiencing steady growth and significant investment in recent years, with government and private sector initiatives aimed at addressing the housing deficit and promoting economic development.

However, the market is not without its challenges, such as land acquisition and ownership issues, infrastructure constraints, and affordability concerns. To overcome these challenges, stakeholders must collaborate and adopt best practices, such as public-private partnerships, green and sustainable building practices, and technological advancements in construction and property management. Stakeholders must remain proactive and adapt to changing market dynamics to ensure continued growth and success.