Real Estate Market Development in Ghana: a Quantitative Approach

Wilfred Kwabena Anim-Odame (Ghana)

Key words: Professional practice; Real estate development; Standards; Valuation;

SUMMARY

Real Estate Market Development in Ghana: a quantitative approach Dr Wilfred K. Anim-Odame , FGhIS Paper to be presented at the XXV International Federation of Surveyors Congress, 16-21 June 2014 at Kuala Lumpur, Malaysia Real estate markets in Africa are products of different economic regimes with incongruent characteristics that determine their attractiveness to local and international investors. Each market is as a result unique in terms of development and maturity, and rather finds itself in a regional and global competition. This paper seeks to use results from hedonic models for the residential market in Ghana to examine its attractiveness as an investment vehicle. Further analysis using primary macroeconomic factors have also been undertaken to demonstrate its contribution towards national development. Overall, residential total returns measured in local currency (Cedis) from 1992 to 2007 have run at annualised rate of 37.2% per annum; made up of a relatively stable income return averaging 4.6% per annum and highly volatile capital growth at an annualised rate of 32.4% per annum. Measured in US$, annualised total returns have been 14.6% per annum, with capital growth of 7.7% annually and average income return of 6.7% per annum. GDP growth and interest rates show a positive and negative correlation respectively with total returns. Linkages between the economic variables and nominal rental value growth, however, remain weak. More surprisingly, the expected relationships with economic growth and interest rates appear much stronger, with increased correlation coefficients and stronger statistical significance, if the dollar denominated performance measures are deflated by Ghanaian price inflation. The results suggest the drivers of dollar denominated residential prices are a complex process in an economy that has been exposed to high domestic inflation and large movements in exchange rates. There is clearly a scope for further research into the market dynamics of residential prices under these conditions. The basis for this research can be improved to determine the balance of domestic versus overseas and expatriate investors in the market.