



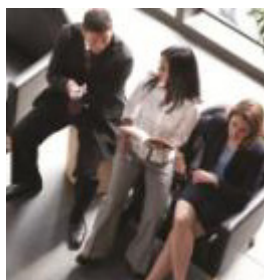
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IT'S 'GHANA' BE GREAT IN ACCRA

A SNAPSHOT OF A GROWING MARKET

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Accra is the bustling capital of Ghana, on Africa's Atlantic coast. From shantytowns to elegant colonial houses, from open-fronted shacks selling local food to fine-dining and hip nightlife, from women with babies strapped on their backs to smartly dressed business men, from local markets to luxury shopping, Accra juxtaposes a chaotic and invigorating landscape. The city has witnessed significant growth over the past ten years and Ghana has become one of Africa's strongest economies. Not only is the country relatively stable politically, but business has also been booming, thereby exuding a feeling that the 'good times' are here. This article provides an overview of the buoyant hotel market in Accra and explores the underlying dynamics that impact hotel development and growth in the city.

Setting the Scene

In 1957, Ghana became the first sub-Saharan country in colonial Africa to gain independence from the British, and was formed through the merger of the British colony of the Gold Coast and the Togaland trust territory. It is bordered to the east by the Ivory Coast, to the north by Burkina Faso and to the east by Togo.

Compared with other countries in the region, Ghana is politically stable even though ethnic conflict still exists in the less affluent northern part of the country. Until the 1990s, the country experienced a period of coups and Ghana was ruled alternatively by military and

ACCRA, GHANA



Source: www.tourist-destinations.com

GHANA



civilian governments. It was not until 1993 that the government announced presidential and parliamentary elections.

Ghana's economy has grown significantly over the past ten years. Economic activity broadened, particularly due to the emergence of manufacturing and construction. Both of these industries along with the increasing prices of gold and cocoa, which are Ghana's two main exports, contributed to GDP growth throughout the worldwide economic crisis. Additionally, the country benefited from the discovery of oil reserves. Oil production commenced in 2011 and is expected to provide revenue far greater than that of the mining industry. Despite these positive economic prospects, Ghana's economy is relatively vulnerable, owing to its reliance on both gold and cocoa. Therefore, diversifying the economy is critical to ensure future stability and growth.

Accra is Ghana's largest city, with an estimated population of around 2.3 million, roughly 10% of the country's total population. According to the World Bank, Accra's economy makes up around 10% of Ghana's total GDP. The city serves as the nation's administrative, economic and cultural centre and is a hub for manufacturing, insurance, finance, marketing, transportation and international visitation.

Demand

Accra is one of the fastest-growing cities in Africa and it primarily attracts business customers. Air travel remains the most popular method of arrival to Accra (62%). Kotoka International Airport, one of the continent's leading airports and a West African hub, is six miles (ten kilometres) from the city centre. The airport has experienced strong increases in passenger arrivals, with a compound annual growth rate of just over 9.5% from 2002 to 2012. Over the past several years, the airport has been successful in increasing flight frequencies to the Middle East, Europe and North America. Given this growth, it is not surprising that there is a large airport expansion project underway, in which both terminals one and two will be expanded at an estimated cost of more than US\$200 million. This project forms part of a master plan that aims to meet the projected growth in arrivals over the next ten years. When completed, this airport will feature 56 check-in counters, a state-of-the-art baggage handling system and six aerobridges. Additionally, other ongoing projects include the construction of new parking aprons and taxiways.

Through improved connections and infrastructure, the city is attracting an increasing number of business travellers, with particular growth in the meetings, incentives, conferences and events (MICE) segment.

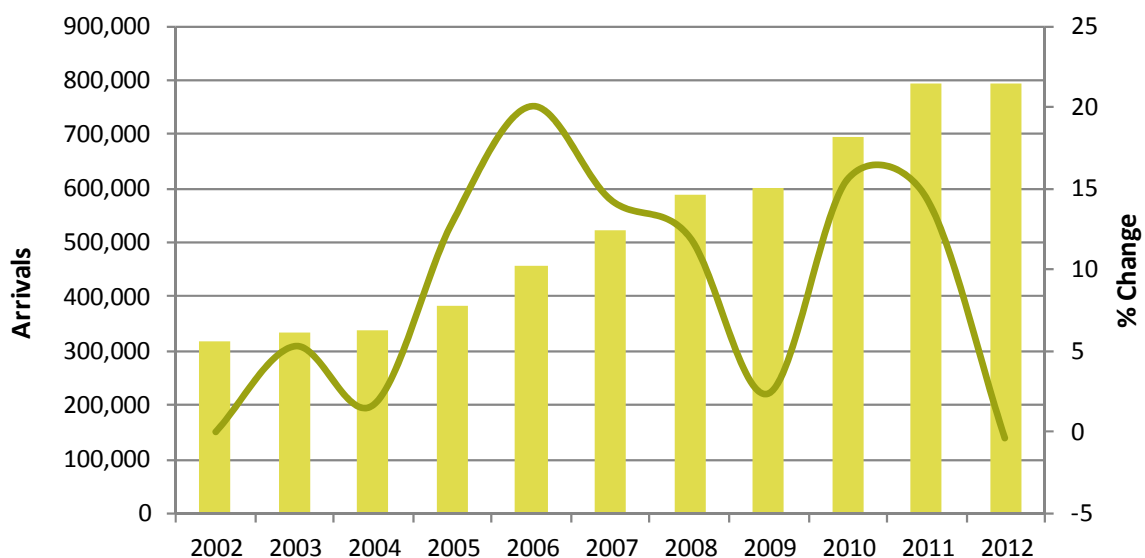
HOPE CITY



Source: www.cnn.com

Mirroring the trend in airport arrivals, visitation to Ghana has also experienced strong compound annual growth of 8.6% from 2001 to 2011. Data for 2012 is not yet available; however, we understand from the Ghana Tourism Office that visitation in 2012 exceeded the record levels achieved in 2011. A growing economy, intensified marketing initiatives from the Ghana Tourism Association (GTA), and global awareness that the country is politically stable and has appealing cultural, natural and historical attractions have all contributed to this growth.

FIGURE 1: ARRIVALS AT KOTOKA INTERNATIONAL AIRPORT



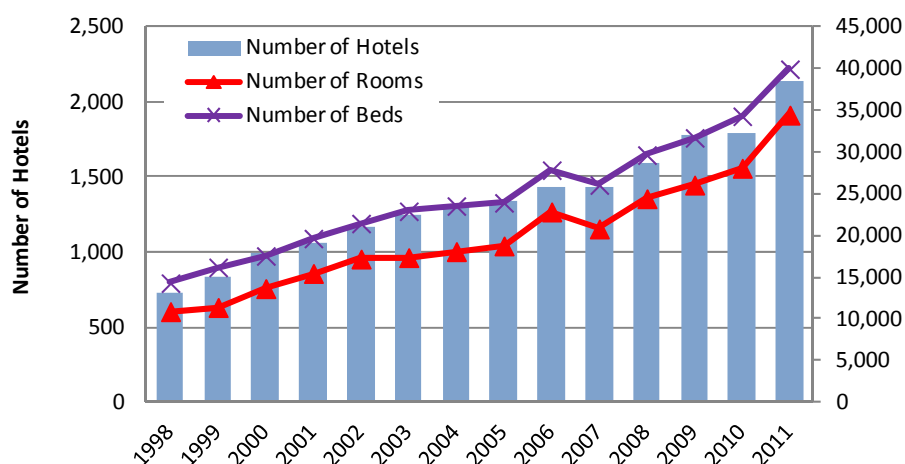
Source: Kotoka International Airport

In 2011, the USA and the UK were Ghana's primary source markets, accounting for 12% and 10% of international visitor arrivals, respectively. The principle source markets within Africa include Nigeria (13%), the Ivory Coast (7%) and Togo (6%). Aside from visitors from Europe, inbound visitation is largely made up of Ghanaians living abroad (25%).

Given the country's economic prosperity, the emerging oil sector and the GTA's marketing efforts to promote tourism, we forecast that inbound tourism to Ghana will continue to flourish in the future. Additionally, Accra is doing much to drive business to the area and we are seeing continued growth in business arrivals. One of the city's new developments is Hope City, an ambitious US\$10 billion high-tech project aimed at fostering technological growth and attracting major IT companies to the city and West Africa. It is just 30 minutes west of Accra and will include offices, assembly plants for technological products, an IT university, a hospital, housing, retail space and entertainment facilities including theatres, sports centres and restaurants. Hope City will cover 1.5 million square metres and is expected to include the highest building in Africa with 75 storeys.

Despite these efforts, we note that growth may slow on account of high visa, hotel and travel costs, which could discourage international visitors from entering the country, particularly leisure travellers.

FIGURE 2: HOTEL SUPPLY GROWTH IN GHANA



Source: Ghana Tourist Board

Supply

Hotel supply in Ghana grew by a compound annual rate of 8% from 1998 to 2011. After suffering for many years from a lack of adequate hotel accommodation, Accra, in particular, has witnessed strong growth in the number of lodging outlets over the past few years. The market is currently still characterised by local African brands such as African Regent Hotel, Fiesta Royal and Labadi Beach Resort; however it is becoming a development hot spot for large international chains looking to expand in Africa. International brands currently operating in the market include Mövenpick, Holiday Inn, Novotel and Best Western. Figure 2 shows the growth in hotel supply in Ghana, the majority of which is in Accra.

Given Ghana's growing economy, political stability and conducive investment climate, a considerable amount of new supply is expected to enter the market over the coming years. We are currently aware of seven new developments, as shown in Figure 3, which range from luxury brands, such as Kempinski and Shangri-La, to

FIGURE 3: NEW SUPPLY, ACCRA

Future Opening	No. of Rooms	Category	Opening Date	Status
Kempinski Accra	269	Luxury	2014	Under Construction
Marriott Accra	200	Upscale	2014	Under Construction
Radisson Blu (Accra Airport)	200	Upscale	2017	Early Development
Hilton Airport City	186	Upscale	2017	Early Development
Traders Shangri-La	350	Luxury	2018	Early Development
Express by Holiday Inn	N/A	Midscale	N/A	Rumoured
ibis Accra	N/A	Midscale	N/A	Rumoured

Source: HVS Research

mid-market and economy hotels, such as Express by Holiday Inn and ibis. We note, however, that planning and licensing issues are common and therefore many hotel developments are postponed or suffer considerable delays. We have spoken with operators and present the latest information regarding these opening dates, but we highlight that these are likely to change.

Historical and Forecast Hotel Performance

Hotel market dynamics in Accra have mirrored that of economic growth. Revenue per available room (RevPAR) for a sample of upscale hotels in Accra recorded continuous growth from 2009 to 2012 and showed little impact from the global economic recession. The rise in RevPAR is attributable mainly to hoteliers pushing rate ahead of occupancy as demand in the market remained high.

As shown in Figure 4, we predict occupancy levels in Accra to remain relatively stable over the next four years, at around 70%. We forecast slightly lower occupancy than in 2009/10 due to the significant increase in supply that will enter the market over the coming years. The addition of just under 500 rooms in 2014 will result in some downward pressure on occupancy and could potentially impact rate growth as well. However, we believe that this increase in supply will be counterbalanced in part by the growing economy and increasing demand for branded accommodation from the growing number of

international visitors. We envisage rate growth to average just above 2% from 2013 to 2016. The government has recently started an initiative to try and close down all unlicensed accommodation facilities in the country, which should have a positive impact on the performance of licensed lodging properties. Additionally, in the medium term, the hospitality industry in Ghana is expected to receive a boost from a reduction in corporate tax from 22% to 20%, which should help attract further investment over the coming years.

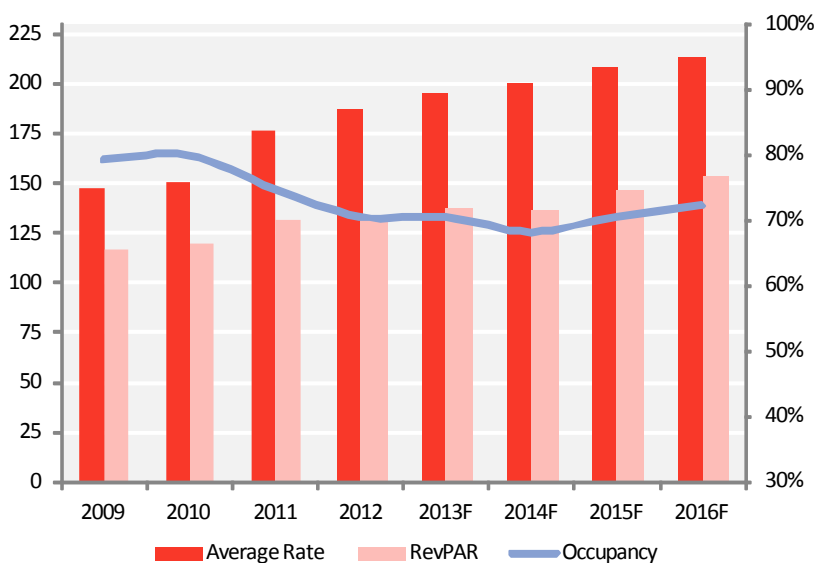
Conclusion

Tourism in Accra has witnessed significant growth over the past few years, not only due to the booming economy, but also because the country is seen as politically stable and relatively safe. This has led to growth in both airport arrivals and visitation, along with an increase in hotel supply, including branded properties.

The government has also started an initiative to try and close down all unlicensed lodging facilities in the country, which will further benefit hotel performance. Moreover, as the oil sector grows, business-related travel is expected to continue to grow, resulting in increased base demand for hotel accommodation.

We consider Accra to be an important emerging market within Africa, with much potential. The country is set to become one of the leading tourist markets on the continent, given its strategic geographical location, political stability, expanding economy, growing infrastructure and diverse tourist attractions.

FIGURE 4: UPSCALE HOTEL PERFORMANCE 2009-12 ACTUAL AND 2013-16 FORECAST



Source: HVS London



About HVS

HVS is the world's leading consulting and services organization focused on the hotel, mixed-use, shared ownership, gaming, and leisure industries. Established in 1980, the company performs 4,500+ assignments each year for hotel and real estate owners, operators, and developers worldwide. HVS principals are regarded as the leading experts in their respective regions of the globe. Through a network of more than 30 offices and 450 professionals, HVS provides an unparalleled range of complementary services for the hospitality industry. www.hvs.com

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About the Authors



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