

Investing in Ghana's Booming Leisure & Hospitality Sector **2016**

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Introduction

The best investment in Ghana today is the leisure and hospitality property sector. Goodman AMC envisages that Ghana's leisure and hospitality sector will receive a huge boost, and is more likely to further support the country's economic growth. We have drawn this conclusion from analyzing existing data, and observing current market trends in Ghana.

Ghana has become an important emerging market in Africa, with great potential. International tourist receipts still remain the fourth highest source of foreign exchange for the country after gold, cocoa, and foreign remittances.

With Ghana being the second largest economy in West Africa, the country's economy has grown remarkably over the last decade, achieving a peak growth rate of 14.4% in 2011 after oil production went commercial. Ghana's GDP surged to 4.1% in the first quarter of 2015, compared to 3.8% in the same period in 2014. The Ghana Statistical Service notes that, GDP growth rate averaged at 2.13% between 2006 and 2015, hitting a record high of 8.10% in the first quarter of 2012. The country is now in its second year of a 3-year IMF program, after the economy went into a few macro-economic challenges.

Ghana's economy is experiencing a notable shift from natural resources to the leisure and hospitality industry. The leisure sector is arguably one of the most diverse sectors of Ghana's economy, catering for both Ghanaian and foreign visitor tourists. The reason for this phenomenon is the country's burgeoning middle class, deep wealth of tourist attractions, favorable investment climate and political stability, as well as its strategic geographical location. For instance, inbound and domestic leisure travel spending in Ghana accounted for 67.3% of direct travel and tourism GDP in 2014 (USD 1 billion) and was projected to grow by 9.5% by the end of 2015 to USD 1.1 billion, and rise by 4.9% per annum to USD 1.8 billion in 2025.

Leisure and Hospitality Sector Attractiveness

Ghana's leisure and hospitality sector's attractiveness is expected to grow as the year advances, providing several entry points for potentially lucrative medium-term to long-term return opportunities. In 2014, travel and tourism in Ghana attracted investment capital of USD 175.4 million; 2.7% of total investment. This is expected to rise by 2.9% per annum over the next ten years to USD 226.3 million in 2025 (2.1% of total Investment). Prior to that, travel and tourism investment had increased from USD 303 million in 2008 to USD 403 million in 2013.

Due to improved infrastructure, Ghana is attracting an increased number of business and leisure travelers, with notable growth in the meetings, incentives, conferences and events (MICE) segment. The Ghana Tourism Authority statistics for 2009 show that the top three reasons for visiting Ghana were business, conferences, study/training (40%), visiting friends and family (25%), and holiday travel (20%).

Additionally, according to the Ghana Tourism Authority, visitations into Ghana in 2012 surpassed the record levels reached in 2011. The Ghana Immigration Service statistics for 2011 also show that the leading sources for international visitors were the USA and the U.K., accounting for 13% and 9% respectively of international visitor's arrival, and 3% each for Canada, Germany, India, Netherlands, and South Africa. The principal source of local markets within Africa was Nigeria, which accounted for 19% of visits, followed by Côte d'Ivoire with 5%.

Ghana Airport Company statistics further reveal that international aircraft movements in Ghana had increased from 23,437 in 2013 to 24,871 in 2014 while the total passenger throughput had also increased from 600,000 in 2000 to 2.3 million in 2014. This accounted for a total spending of USD 595.97 million in 2014 by foreign visitors in Ghana. In 2015, this had been forecasted to grow by 5.1%, while the country was expected to attract 925,000 international tourist arrivals during that same period. By 2025, international tourist arrivals are forecast to total 1,382,000, generating inflows of USD 827 million, an increase of 2.8% per annum.

The service sector has seen notable growth in the hotel and restaurants sub-sector, with increasing consumer demand and strong spending growth accounting for USD 1.3 billion of GDP in 2014 up from USD 446.2 million in 2008. The hotel sub-sector, which is one of the largest and most dynamic, has undergone strong growth.

Hospitality Sector

Ghana's hospitality sector is becoming a prime development target for major multinational hotel chains looking to expand in Africa. In 2013, there were more than 1,400 hotel rooms under development in Ghana, some of which include developments by global hotel brands such as Kempinski and Marriott.

Hotel supply in Ghana grew at a compound annual rate of 8% between 1998 and 2011, while the number of hotels in Ghana also increased from 992 in 2000 to 1,775 in 2013, with 28,028 rooms. The hotel industry in Ghana is heavily characterized by local African brands such as the African Regent, Fiesta Royale and the Labadi Beach Resort. However, Ghana is also becoming a development hub for large international hotel chains looking to expand in Africa. International brands currently operating in the market include Movenpick, Best Western, Holiday Inn and Novotel.

Given Ghana's conducive investment climate and political stability, a considerable amount of new hotels have entered the market, while some are expected to enter between 2016 and 2018. A considerable number of international hotel chains are making moves into the economy, in a bid to increase their presence in Ghana. These hotels include:

1. Kempinski (Luxury hotel; opened in 2015),
2. Radisson Blu Accra Airport (Upscale hotel; expected in 2016),
3. Marriott Accra (Upscale hotel; expected in 2016),
4. Hilton Airport City (Upscale hotel; expected in 2017),
5. Traders Shangri-La (Luxury hotel; expected in 2018),
6. Express by Holiday Inn (Midscale hotel; opening date unknown)
7. Ibis Styles Accra Airport (Midscale hotel; opened in 2015)

The hotel industry shows more promise, looking at the increasing rate of foreign visits into Ghana over the past 10 years, especially when one takes into consideration the increasing number of visitors for business tourism (with much focus on meetings and conferences). As noted earlier, in 2009, 40% of visits into Ghana was mainly for business, conferences, and study/training. In 2014, business travel spending generated 32.7 % of direct travel and tourism GDP, representing USD 488.7 million. Business travel spending was expected to grow by 0.4% by the end of 2015 to USD 490.7 million, and rise by 3.6% per annum to USD 701.5million in 2025.

Tourism Sector

The tourism sector, which is linked with the hospitality sector, is a significant contributor to economic growth and development in Ghana. It has been a major source of foreign exchange, employment and government revenue. In 2014, the direct contribution of the travel and tourism industry to Ghana's GDP was USD 852.2 million, representing 2.9% of total GDP and was expected to rise by 5.6% by the end of 2015, and to rise by 4.5% per annum, between 2015 and 2025 to USD 1.4 billion (2.8% of total GDP).

Tourism's direct contribution to the economy has grown from USD 1.03 billion in 2008 to USD 1.34 billion in 2013. The number of jobs directly supported by tourism was 122,000 (2.2% of total employment). This was projected to rise by 4.7% in 2015 and increase by 2.2% per annum to 159,000 jobs (2.3% of total employment) in 2025.

The direct contribution of travel and tourism to GDP measures spending by services that cater to domestic and international tourists. These services include accommodation, food and beverage, transportation, culture, sports and recreation, as well as retail trade. The total contribution of tourism to the economy is much larger when the travel and tourism industry's expenditure on investments, government taxes, materials, labor, energy, etc., are included.

Total contribution of travel and tourism to Ghana's economy in 2014 was USD 1.99 billion, representing 6.7% of GDP, and was forecast to rise by 3.8% in 2015, and to rise by 4.5% pa to USD 3.2 billion (6.3% of GDP) by 2025. The total contribution of travel and tourism to employment, including jobs indirectly supported by the industry was 298,500 which represents 5.5% of total employment. This was expected to rise by 2.4% by the end of 2015 to 305,500 jobs and rise by 2.1% per annum to 378,000 jobs in 2025 (5.4% of total). This primarily reflects the economic activity generated by industries such as hotels, restaurants, and the leisure industry, which are all directly supported and linked with the tourism sector.

Construction activity contributed USD 3.8 billion to GDP in 2014. This was the equivalent of 12.7% of GDP and a 26.9% increase from the 2013 figure. The construction sector has spurred over the past decade, up from USD 280.3 million in 2006, more than doubling as a contributor to GDP from 5.7 % in 2006.

Ghana's thriving construction industry provides investors with a lot of leisure property investment opportunities around Ghana's top tourist destinations, as well as other cultural and heritage sites.

Most Visited Tourist Destinations

The six most visited tourist destinations in Ghana, which attracted the highest number of visitors (both domestic and international) in 2013 were;

1. Kakum National Park (184,000 visitors)
2. Cape Coast/Elmina Castles (157,000 visitors)
3. Kwame Nkumah Memorial Park (93,000 visitors)
4. Kumasi Zoo (68,000 visitors)
5. Wli Waterfalls (63,000 visitors)
6. Manhyia Palace Museum (51,000 visitors)

These six most visited tourist destinations provide potent property investment opportunities for investors to develop leisure properties that will attend to the leisure needs of the increasing number of both foreign and domestic tourists to these areas.

Mole National Park

Another tourist destination which has immense leisure property investment potential but still remains largely unrealized in Ghana is the Mole National Park in the Northern region of Ghana, which is one of the largest wildlife sanctuaries and safari park in West Africa (with good road networks from Sawla to Ffulso).

The park, despite its huge wealth-making potential, has seen a drop in tourist visits from 16,807 in guest arrivals in 2008 to 14,336 tourist arrivals in 2010. A study on the park showed that 31% of foreign tourists who visit the park prefer to pass a night or more, despite the low variety of leisure and hospitality infrastructure to accommodate their needs, unlike other tourist sites where foreign visitors prefer to make return (day trips) after accessing sites. Considering the fact that 33% of non-Ghanaians visit the park on leisure basis, while 57% visit for holidaying purposes mainly from the USA (25%), UK (20%), Holland (12%), Germany (5%) and France (4%), the wildlife park needs world-class hotels and restaurants, as well as other leisure infrastructure such as eco-lodges, etc., tailored to provide a world-class wildlife experience.

Domestic Tourism

Domestic leisure and tourism activities have also seen an impressive upsurge due to the fact that a majority of Ghanaians are beginning to spend more on leisure activities. In 2011, Ghanaian (domestic) visits to the Mole National Park represented 54% of total arrivals, while foreign visits represented 46%. As compared with foreign visitor travels, domestic travel spending generated 60.1% of direct travel and tourism GDP in 2014, while foreign visitor spending or international tourism receipts generated 39.9% of direct travel and tourism GDP over that same period. Domestic travel spending had also been projected to grow by 7.5% in 2015 to USD 963.8 million, and rise by 5.5% per annum to USD 1.6 billion in 2025.

Entertainment Sector

Ghana's entertainment scene has seen massive hikes in recent years with pubs, nightclubs and night life in Ghana seeing a massive upsurge. With the high affinity of Ghanaians for European and American sport, pubs are now the main grounds where Ghanaians meet to share football camaraderie.

Music

Major concerts and theater is also driving the sector, as Ghana's middle classes are beginning to spend money to acquire tickets for events. It was estimated that 17% of Ghanaians surveyed in a study by the Musicians Union of Ghana (MUSIGA) report prefer to attend major concerts (music awards, night of a laughs etc.) while 6% prefer events at hotels. The market for theatre performances and musical concerts is on the rise, and this has created a building capacity deficit, since the majority of auditoriums or centres cannot hold large numbers of audiences who have the purchasing power to acquire tickets for events.

Ghana's music industry is currently valued at an estimated USD 90 million, with revenues from live entertainment performances by musicians at recreational events also estimated at USD 8.97 million per annum, according to MUSIGA.

Betting and Gaming

The betting and gaming industry in Ghana has also seen an influx of sports betting companies who are capitalizing on the average Ghanaian's passion for sports; mainly, European football to promote sports betting activities. Ghana currently has about 10 sports betting companies; noted among the gaming and entertainment companies in Ghana are MyBet, SafariBet and SupaBet. SafariBet solely plans to create 4,000 direct jobs and 15,000 indirect jobs in Ghana by the end of 2016.

Opportunities

Ghana is considered an expensive tourist destination due to the high cost of hotel accommodation, air transport, and visa fees. For example, in 2011, the average daily rate of a room in a four-star hotel in Ghana was US\$315, compared to US\$208 in Kenya and \$165 in the United States. World Bank (2013) relates the high hotel prices to construction cost, and reports that average construction cost for a mid-market hotel in 2010 was US\$250,000 per room in Ghana, compared to a median global cost of US\$200,000 per room. Private operators have also mentioned that high taxes and high fuel and electricity costs contribute to the high tourism cost. Despite this phenomenon, the potential for the growth of the leisure and hospitality industry is huge, since Ghana possesses considerable and diverse leisure assets that can be leveraged with tourism support services, infrastructure, marketing and Ghanaian hospitality to accelerate economic growth and employment.

The country's major export and foreign exchange earner, gold, went down at a multi-year low in 2015, and down about 10%, and was inadequate to entice buyers on the world market. Meanwhile oil and gas, which had shown a promising addition to Ghana's economy after its discovery has also dropped below \$30 for the first time in 12 years as at January 2016. Going forward, the macroeconomic situation (falling commodity prices on the world market) lends support to the medium term prospects of Ghana's leisure industry. Despite the opportunities this sector presents, capitalizing on it requires well-structured portfolios, with an emphasis on the right investment vehicle, and careful asset selection.

Investors can either invest in the shares of property firms or invest directly in developing leisure and hospitality property portfolios. There are huge opportunities for the development of large multi-purpose commercial leisure properties or centers for events, meetings and conferences (conference and business tourism), which can also house a broad variety of leisure and hospitality buildings, such as restaurants and food services, pubs, hotels, museums and art galleries, gaming centers, amusement parks etc. Also, some of these infrastructure need to be situated around the most visited tourist sites in Ghana, as well as hotels and safaris around game reserves; notable amongst them being the Mole National Park.

Conclusion

In conclusion, the key to winning in Ghana's leisure and hospitality market over the next 10 years will be defined by a relentless focus on developing leisure properties that merges both foreign and local consumer preferences to provide a superior customer experience.

This article is merely exploratory. A more analytical study can be offered upon request.

Authors

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