

PAI CONSULT

Newsletter



VALUATION | BUILT ENVIRONMENT | ETC.

JANUARY 2025

EDITOR'S NOTE

Dear Reader,

As we embark on a new year filled with promise and potential, I'm delighted to welcome you to the January edition of our company newsletter.

In the spirit of fresh beginnings, this issue is dedicated to reflecting on our past accomplishments while setting our sights on the exciting opportunities that lie ahead. Throughout the pages of this newsletter, you'll find inspiring stories of resilience, innovation, and collaboration that will shape and define our journeys.

In the fast-paced landscape of today's business world, it's essential to pause and celebrate the milestones we've achieved together. Whether it's surpassing targets, launching groundbreaking initiatives, or simply supporting one another through challenges, each success represents a testament to our collective dedication and hard work.

Looking ahead, we're poised to build upon these achievements and continue pushing the boundaries of what's possible. As we embrace new technologies, explore emerging markets, and foster a culture of creativity and inclusivity, I'm confident that we'll write the next chapter of our success story with even greater enthusiasm and determination.

As always, I encourage you to share your feedback, ideas, and accomplishments with us. Your voices are what make this newsletter truly special, and I'm grateful for the opportunity to serve as your editor.

Here's to a prosperous and fulfilling year ahead!

Warm regards,

A. Darkwah

Editor

Table of contents

EDITORIAL NOTE



02

POLICY RATES SPOTLIGHT



04

A look at some selected countries' policy rates against Ghana

FEATURED ARTICLE



05

Valuation and new real estate business models

DATA WATCH



09

Inflation - Treasury Bill Rates

EXPERT COMMENTARY



11

Future Valuations: The impact of ESG Roundtable Discussion between Singapore-based senior investors, real estate and business valuation leaders

PRACTICAL TIPS



15

Selling property in Ghana

THINK TANK



16

The Future of Affordable Housing in Ghana: Challenges and Opportunities"

COMMUNITY EVENTS



17

DID YOU KNOW?



18

POLICY RATE

BANK OF GHANA

27.00 %

BCEAO

5.50 %

CENTRAL BANK OF KENYA

8.25 %

CENTRAL BANK OF NIGERIA

4.50 %

NATIONAL BANK OF RWANDA

6.50 %

SOUTH AFRICAN RESERVE BANK

7.75 %

BANK OF ENGLAND

4.75 %

FEDERAL RESERVE

4.50 %

VALUATION AND NEW REAL ESTATE BUSINESS MODELS

AS NEW OPERATING MODELS EMERGE, PROPERTY VALUERS MAY NEED TO BE MINDFUL OF THE WAY REAL ESTATE IS RUN WHEN MAKING VALUATIONS

MARCH 29

2021

Travel restrictions and other control policies have been put in place around the world to contain the COVID-19 pandemic, but the flow of capital has not stopped. Investors keep searching for emerging business models in various sectors in an attempt to benefit from the next windfall.

As an important alternative asset in investment portfolios, real estate has been producing new business models over the past few years and receiving attention from the capital market. But when the market's attention began to shift during the pandemic, many seemingly good business models gradually exposed their hidden flaws.

For example, before the leading co-working operator WeWork prepared its initial public offering (IPO) in 2019, its concept of tech-led, flexible office space had been well received by many investors and successfully attracted significant capital. However, after it filed its IPO application the market gradually realised that its business model would be difficult to sustain in the long run. WeWork's valuation plummeted, and the offering failed.

Another example concerns Danke Apartment in mainland China. The operator took long leases on apartments from owners to sublet at affordable rents, and the market had been expecting to see it become the first Chinese stock to be listed on the NYSE.

However 2020 saw news spread that Danke were not paying suppliers, nor passing on rent to owners as they were supposed to. Since the beginning of the spread of pandemic in 2020, its market value has shrunk from \$274m to less than \$200m.

High-profile business failure

Why, then, did such high-profile real-estate businesses go from being swarmed by investors to casualties of capital being pulled out in a hurry?

By analysing the business models of WeWork and Danke Apartment, we can see that the most important risk factor for both is the same: namely, unstable cash flow. WeWork's business model is to rent or purchase office space, redesign it and sublet it to businesses to earn the rent directly, or to profit from the premium it can charge tenants above the amount they (WeWork) pay to landlords. WeWork adds technology ingredients, such as room booking system for users to access WeWork facilities anywhere in the world, enhances community attributes with events, activities and provision of promotional platforms for businesses and enables more efficient space use. But ultimately rent is essential to sustainable operation; when vacancy increases, WeWork's revenue will shrink and cash will stop flowing.

Similarly, Danke Apartment operates on the basis that tenants sign a contract and pay rent in advance on an annual or quarterly basis, and the company then pays monthly rent to the landlord. Since many of the tenants are young and at early stages of their careers, it would be difficult for them to raise a large amount of money in advance. The company thus created the rental loan model, cooperating with financial institutions to provide loans to tenants to pay rent in advance.

As a result, Danke's cash flow is highly dependent on tenants' prepayments. With the massive shutdown of production in China at the beginning of last year and fierce competition in the real-estate market, occupancy rates have deteriorated, leading to a significant contraction in rental income and a serious cash-flow shortage.

For emerging real-estate business models, cash is king. Real-estate investments require more capital than equities and bonds but are less liquid. If an emerging real-estate business model is to succeed, it must show the market how it can be relied on to realise cash and provide a stable cash flow to ameliorate the risks of illiquidity.

Valuing real-estate business models

For emerging real-estate business models, the cash flow generated is the core of the model. From a valuation perspective, therefore, the income approach is the most appropriate choice to allow reasonable assessment of the business value.

In the process of valuation, the following points should be noted.

- The future market size of the targeted field determines the revenue level for the business model, so we need to understand niche market's growth rate and market size to determine the business model's expected cash flow correctly and the point at which it will reach stability.
- Protect the key business driver is a critical factor to keep a sustainable business model. So we need to thoroughly analyse the competitive advantage of the business model of the new-economy in real estate sector and assess the risk factors.

Real-estate operation and investment is a highly specialised field, so the experience and management style of those in charge will have a major impact on the revenue and operational risk for a business.

The emergence of each new business model means that capital is enabling pioneering approaches in real estate – successful or otherwise. The business may appear exciting, but it will always face the fundamental question of how to realise cash. Only a business model that is brave enough to address this question can forge a new path in real estate.

As a property valuer, one can no longer solely rely on traditional methodology. While owners, operators and developers are working on new business models to make best use of spaces and create value from assets, valuers should keep an eye not only on the value of the property but also the way the real estate business is run. In the long term, business valuation and property valuation may merge as new business models enter the market.

By: Stella Law (MRICS) is executive director, CHFT Advisory and Appraisal

INFLATION



JANUARY
2025

INFLATION

In January 2025, Ghana's annual inflation rate slightly decreased to 23.5% from 23.8% in December 2024, as reported by the Ghana Statistical Service. This decline was primarily driven by a reduction in non-food inflation, which fell to 19.2% from 20.3%. However, food inflation continued to rise, reaching 28.3% from 27.8% the previous month.

Despite this marginal decline, the inflation rate remains significantly above the Bank of Ghana's target range of 6% to 10%.

These developments suggest that while non-food price increases are slowing, persistent food price inflation continues to pose challenges. The central bank may need to maintain or adjust its monetary policies to address these inflationary pressures effectively.

TREASURY BILL RATE

PERIOD	DISCOUNT RATE	INTEREST RATE
91 DAY	26.3343	28.1902
182 DAY	25.2644	28.9173
364 DAY	23.1664	30.1514

Source: Bank of Ghana

FUTURE OF VALUATIONS: THE IMPACT OF ESG

AN OPEN CONVERSATION BETWEEN SINGAPORE-BASED SENIOR INVESTORS, REAL ESTATE AND BUSINESS VALUATION LEADERS (NOVEMBER 2023)



In a period where the integration of environmental, social, and governance (ESG) considerations into business valuation has become increasingly crucial, a recent roundtable discussion titled "Future of Valuations - The Impact of ESG" served as a pivotal platform to explore this significant shift in the valuation landscape. Hosted by Colliers International (Singapore), the roundtable discussion was held under Chatham House Rule on 15 November 2023 by the International Valuation Standards Council (IVSC) and Royal Institution of Chartered Surveyors (RICS).

The discussion was moderated by Nicolas Konialidis, IVSC's Asia Director, and included senior investment professionals, Real Estate and Business valuation leaders from preeminent global asset allocators. These professionals have been at the forefront of these developments and navigated through the complexities of integrating ESG data into business valuation.

This report draws from the lively and interactive discussion between these experts as the dialogue centered on understanding and addressing the challenges and opportunities presented by the integration of ESG into investment strategies, and the important role for the valuation profession. We gratefully acknowledge the contributions made by all participants to this essential dialogue, confident in the knowledge and expertise they brought to the table. Through this report generated from the roundtable discussion, we have attempted to sketch the possible future of ESG and business valuation.

Investing with Insight: The Evolving Role of ESG in Valuation

In recent years, the investment world has witnessed a paradigm shift with the emergence and growing importance of Environmental, Social, and Governance (ESG) factors. This shift reflects a broader understanding that sustainable practices are not just ethically imperative but also critical in determining the value of assets and the performance of investments.

Traditionally, investment decisions and asset valuations hinged exclusively on financial metrics and forecasts. However, this perspective has expanded to encompass ESG considerations as critical determinants of risk and return. Investors and valuation professionals are increasingly acknowledging that ESG factors can significantly affect an asset's long-term viability and profitability, as also observed in RICS Sustainability Report . This change is driven by a growing awareness among stakeholders that environmental sustainability, social responsibility, and robust governance are not peripheral issues but are central to a company's or asset's resilience and competitive edge.

Future of Valuations: The Impact of ESG

This changing landscape is not without its complexities. Integrating ESG factors into valuation practices involves navigating uncharted territories – from understanding the direct and indirect impacts of these factors on asset values to developing new methodologies and frameworks that can accurately reflect ESG considerations in valuation models. The integration of Environmental, Social, and Governance (ESG) factors into investment valuation signifies a crucial and complex shift in the financial landscape.

This evolution necessitates a collaborative approach, where the valuation profession and global standards setters, including the IVSC, engage closely with the investment community. It is essential to navigate these changes collectively to ensure that valuations reflect the increasingly significant impact of ESG factors on investments.



The Emergence of ESG and Green Buildings in Singapore

The first theme of the roundtable discussion explored the historical context and current challenges in integrating ESG considerations into the valuation process. Singapore has been at the forefront of advocating for green buildings, a movement that predates the widespread recognition of ESG. Initially, the focus was on tangible aspects such as cost savings, which were minimal at the outset. The Building and Construction Authority (BCA) of Singapore incentivized developers to adopt green practices.

Over time, this evolved, with numerous buildings being redeveloped to incorporate green features, leading to improved rentals and cash flow, and consequently, higher property values.

However, a significant challenge persists in attributing these increases in value directly and exclusively to “green” or even ESG elements. Valuers present at the roundtable pointed out the complexity in determining whether a premium paid for assets is due to their green features or other characteristics like location. This ambiguity underscores the need for concrete evidence to establish the value differential attributed to ESG characteristics.

Without such evidence, auditors and other stakeholders requiring assurance face challenges in accepting the premiums or discounts associated with green features.

Future of Valuations: The Impact of ESG

Moreover, the accounting for ESG implications can be misleading if specific values are attributed to green features without adequate justification. As more projects integrate green elements, leading to better ESG-related certifications, it becomes crucial to accurately assess their true impact on valuations. The roundtable participants also considered the concept of “embodied carbon” in older buildings and the complexities involved in valuing present carbon emissions against those projected over a building's entire life cycle. The viewpoints of financiers are critical in this context, as they conduct thorough due diligence on the ESG compliance of buildings, and expect compliance with regulations such as SFDR - EUROSIF.

to be continued...

Authors:

*Nicolas Konialidis CFA, CVA, ASA-BV
Asia Director
International Valuation Standards Council*

*Donglai Luo
Senior Economist
Royal Institution of Chartered Surveyors*

Notice: Look out for February edition for the continuation of this riveting round table discussion.

PRACTICAL TIPS

SELLING PROPERTY IN GHANA

Selling property in Ghana requires proper planning and professional assistance to maximize value and ensure a smooth transaction. Here are some tips to guide your next sale;

1. To determine a fair market price for your property, hire a professional valuer who can assess the value based on location, condition, and market trends.
2. Work with a Professional Broker who will help you market your property effectively, connect with serious buyers, and handle negotiations professionally.
3. Ensure you have all essential documents ready, including:
 - Land title or lease agreement
 - Building permits and architectural plans
 - Tax clearance certificate
 - Utility bills and receipts
4. Use multiple channels to market your property effectively.
5. Be open to negotiation but set a realistic minimum price based on the valuation report. Transparency in the transaction will attract serious buyers.
6. Once you find a buyer, consult a real estate lawyer to draft a proper sales agreement and oversee the payment and title transfer process.

THINK TANK

*A thought provoking discussion
topic for you and your colleagues*

The Future of Affordable Housing in Ghana: Challenges and Opportunities

- *Is there a persistent housing deficit & what are its socio-economic implications?*
- *Any potential solutions in mind?*
- *What do you think is the role of valuers in promoting and assessing affordable housing projects?*



Ghis

GHANA INSTITUTION OF SURVEYORS

ELEVATE YOUR EXPERTISE!!

at the

20TH SURVEYORS' WEEK & 56TH ANNUAL GENERAL MEETING

Theme:

HARNESSING AND PROJECTING SURVEYING COMPETENCIES: A CATALYST FOR NATIONAL DEVELOPMENT AND EMBRACING EMERGING OPPORTUNITIES.

Date: **8th - 16th March, 2025**

Venue: **Alisa Hotel, North-Ridge, Accra**

Please register here www.ghis.org.gh

PARTICIPATION FEE:

Regular Registration
Deadline February 21st
GH 2,500.00

PAYMENT MODE:

DIRECT PAYMENT
Account No. 1441000278107,
Ecobank Ghana Ltd
Kwame Nkrumah Av. Branch, Accra

MOBILE MONEY
0245 642 108
Ghana Institution of
Surveyors

ELECTRONIC PAYMENT
<https://ghis.org.gh/shop/>

PARTNERS:



Tap here to register



DID YOU KNOW?

Villagio Vista, located in Accra, is currently the tallest building in Ghana. It is a high-end residential complex developed by Trasacco Group and consists of three towers:

- Alto Tower – The tallest at 27 floors (93 meters)
- Azzurro Tower – 18 floors
- Verde Tower – 10 floors

Each of the towers is distinguished by a boldly patterned facade inspired by traditional Ghanaian Kente fabrics and cantilevered upper floors. It offers luxury apartments, penthouses, and amenities like a rooftop swimming pool, gym, and high-end restaurants.



Property Appraisal & Investment Consult

Services

- Valuation and Advisory
- Property Management
- Leasing and Consultancy
- Research

**For inquiries,
please contact:**

**No. 17 Blackberry Street,
Community 19, TDC Estate,
Tema**

paiconsultghana@gmail.com

0302 803 637

0549 258 071

0246 170 880