

REAL ESTATE INVESTMENT SEMINAR 2021 ORGANIZED BY CHAMBER OF CORPORATE TRUSTEES ON TUESDAY 29TH JUNE, 2021

THEME: STUDENT HOUSING: A NEW ASSET CLASS IN SUB - SAHARAN AFRICA

Mr. Chairman, Panelists', Chamber of Corporate Trustees, GSIA, Invited Guest, ladies, and gentlemen,

I am honoured this morning to join you in this conference with the theme "Purpose Built Student Accommodation (PBSA) Opportunities in Ghana". I believe this theme has been carefully selected for us, gathered here this morning, to deliberate on ways that will provide lasting solutions to the perennial problem of inadequate housing that has bedeviled this country for many years. Often the discussions on inadequate housing focus largely on residential accommodation and as such very little is said in the area of student accommodation. I am therefore happy to be part of this conference which is seeking to discuss and highlight the problem of inadequate housing from the perspective of student accommodation.

Mr. Chairman, I have been tasked to speak at this conference on the topic 'The purpose of Real Estate as an asset class for Defined contribution Pension plan in Ghana – The views of the Regulator'. As you may be aware, our vision at the NPRA is to ensure retirement income security for retirees in Ghana. In line with this vision, we work tirelessly together with the key stakeholders of the pensions industry to mobilise and invest contributions of persons in active employment to ensure this vision of ours is realised when these persons retire. While we journey through time to actualise this vision of ours, we are mindful of the positive impact that the contributions that we mobilise and invest can have on the general wellbeing of Ghanaians and the economy as a whole. It is in this spirit that we have ensured that our Guidelines on Investment of Pension Scheme Funds (GIPSF) create an environment that enables pension funds to impact positively on the Ghanaian economy. Indeed, it is our expectation that trustees, fund managers and custodians, as part of their routine duties, will identify investment products that, among others, fit into our allocations earmarked for the real estate sector for purposes of ensuring that adequate funds are made available to the sector.

Mr. Chairman under the existing GIPSF, pension schemes can invest up to 5% of their funds in Real Estate Investment Trust (REIT) and other open or closed-end collective investment funds designed to raise funds to support the real estate sector. In addition, pension schemes are allowed to commit about 40% of their funds into bonds and equity instruments structured to raise funds for the real estate sector. It is worth noting that, the financial challenges of the real estate sector were brought to the attention of the Working Group constituted by our Board to review the existing GISPF. In their recommendation for consideration for an amendment, the Working Group proposed for an increase in the percentage allocation to REIT and other collective investment schemes from the current 5% and further recommended that they be included in the Alternative Investment asset class which is expected to have a total allocation of 25%. The Working Group did not only recommend the inclusion of REIT in the Alternative Asset Class but also Private Debt/Equity Funds, Project Financing, and Direct Real Estate investment which additionally create financing avenues for the real estate sector.

Under the Project Financing requirements, Pension funds may be assessed to financed qualifying projects through a syndicated structure with a bank or multilateral or bilateral development finance institution acting as the arranger. In

respect of the Direct Real Estate investment, pension funds may act as co-investors in a REIT Fund or in partnership with a bank that has the capacity to provide a debt financing of not less than 20% of the project size.

For Pension Funds to impact positively on financing student accommodation there must be a balanced supply and uptake or demand side of investment products. The supply side should provide clear steps to formalize the supply of the accommodation units with funding from the pension funds. Of course, the pension funds will also be mindful of the uptake or demand side that will ensure quick redemption of their funds as well as the investment returns.

Mr. Chairman, the NPRA appreciates the efforts being made by separate groups to find lasting solutions to our accommodation challenges in Ghana and therefore we will do our best to support decisions that will be taken at this conference. We look forward to a fruitful discussion and future collaboration on the subject matter.

Thank you.