

TEN TRENDS SHAPING AFRICAN REAL ESTATE



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TEN TRENDS SHAPING AFRICAN REAL ESTATE

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1 | TRANSPARENCY

TRANSPARENCY: From 6-15 countries on JLL's Global Real Estate & Transparency Index (GRETI)

Many of the world's most improving property markets according to JLL's Global Real Estate Transparency Index (GRETI) have been African with markets moving up a combined 82 places in the index over the past decade. In 2009, there were only six African countries listed, today it stands at 15 and counting.

Why It Matters: "Transparency is increasingly important for commercial real estate, where investors are allocating ever more capital," said Jeremy Kelly, Director, Global Research, JLL at the API Summit in 2018. "The availability and quality of information – from prices to ownership – is crucial when trying to make investment decisions, especially in new markets."



2 | MARKET FORMALISATION

MARKET FORMALISATION: The rise of Industry Associations, Events & PAN African Awards

Increased interest and activity in Africa's most attractive real estate markets has resulted in the harmonisation of the sector through the development of local and regional industry associations, events and awards. Given this growth, API Events has been able to establish successful industry events in Kenya, Nigeria, Mozambique, Zambia, Botswana, Zimbabwe, Senegal and Cote d'Ivoire, as well as a pan-continental awards programme, the African Property Investment (API) Awards, now in its third year. Covering 13 categories, the Awards provide peer recognition for the work being accomplished in Africa .

Why it Matters: The development of local industry associations and events aids in unifying and formalising each market by bringing all stakeholders together under one umbrella. For investors, this increases transparency and sophistication, while also providing synergies for the private sector to engage with the public sector. These platforms provide best practice case studies, unique insights, and an opportunity for the industry to grow, secure investment, foster market sentiment and improve the international perception of the value of African real estate as an asset class.



3 | CAPITAL MARKET GROWTH

CAPITAL MARKET GROWTH: The Steady Growth of Africa's REITs Market

Inspired by the success and growth of the South Africa's Real Estate Investment Trusts (REITs), there has been significant growth in REITs development and promulgation across the continent. This has included the debut of Stanlib's Fahari I-REIT in Nairobi; and both Ghana and Uganda introducing and passing passages of legislation enabling the establishment of REITs over the last two years. Other notable capital market gains or mentions include, Nigeria listing their first real estate linked Bond on the FMDQ exchange and Botswana's listed property sector which now has over seven trading counters.

Why It Matters: With signs of pressure increasing on the global REITs Market, currently valued at \$1.2 Trillion by Morningstar Investments, Africa's listed REITs market provides a new avenue for investors seeking higher returns and pockets of growth. Established and well governed African REITs will drive investment from local, regional and institutional investors and would provide an effective and a strategic vehicle for pension fund investment across the continent.



4 | A FOCUSED & AFRICAN CENTRIC STRATEGY

A FOCUSED & AFRICAN CENTRIC INVESTMENT STRATEGY: The rise of sector specific development and investment funds

The past 24 months has seen the rise of specialised and sector specific real estate investment platforms established to develop African-centric asset classes in logistics, healthcare, affordable housing and hospitality. Some of the standout platforms have included African Logistics Properties (ALP) in Kenya, which secured funding from institutional investors such as (CDC) and recently Standard Bank, as well as Actis' dedicated hotel investment platform with Westmont, their Affordable Housing platform with Shapoorji Pallonji from India and their joint venture with Improvon (a specialist warehouse developer).

While these developments represent a changing orthodoxy; perhaps the biggest bellwether indicator has been Actis adapting its strategy into more specific asset classes and partnering with specialist partners in key jurisdictions.

Why It Matters: The development of specialised vehicles to achieve African development priorities is proof of a maturing and more nuanced market. Future success will be achieved by developers with narrower and specific offerings with longer-term investment horizons, which Africa's expanding institutional class of investors can participate in.



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5 | THE INCREASING INFLUENCE OF AFRICA'S PENSION FUNDS

THE INCREASING INFLUENCE OF AFRICA'S PENSION FUNDS ON REAL ESTATE: A Homegrown partner for African Development

Policy reform in key markets (Botswana, Kenya, Nigeria and Zambia) and economic maturity are enabling Africa's pension funds to expand their real estate and infrastructure allocations, both in home markets and abroad, providing the foundation for pension funds to be the key funding driver for Africa's built-environment growth. For example, 40% of Grit Real Estate Income Group is owned by Botswana, Mauritius and South African pension funds, while in Ghana and Rwanda, state backed pension funds, SSNIT and RSSB, own the the largest real estate portfolios in their countries respectively.

Why it matters: Pension Fund capital is long term in nature (10 + Years) and can better withstand currency and emerging market volatility, thereby positioning it as the ideal partner to develop and fund Africa's housing and infrastructure deficits. In a challenging global macroeconomic environment; increased asset ownership by homegrown savers provides an opportunity for Africans to own and direct built environment strategy and improve stability, while also improving the international perception and value of African markets as maturing long-term investment destinations.



6 | PUBLIC SECTOR SUPPORT

PUBLIC SECTOR SUPPORT: Making housing and construction a conduit for inclusive growth

Traditionally viewed as a hindrance by the private sector, many governments are aggressively targeting the construction and housing sectors as economic priorities. Arguably, the biggest example of this transformation has been by Kenyan President Uhuru Kenyatta's pledge to build more than 500 000 homes in his next term of government. Additionally, there has been significant progress in streamlining land registry procedures in Mozambique, Kenya, Nigeria and Rwanda including bold moves toward online registry systems driven in some instances by blockchain protocols.

Why It Matters: In developing markets, the state remains a key role player in attracting and obstructing capital investment. If Africa is ever to reduce its infrastructure deficit, including access to housing, its public sector leaders need to actively pursue, participate and partner with the real estate sector and create a more enabling environment for sector growth and investment.



7 | PROPTech

PROPTech: Making Africa's Real Estate Assets Fit for the Future

Africa's PropTech sector is booming with pioneering founders attracting funding and providing value to Africa's real estate sector. As JLL's global data and transparency advocate Jeremy Kelly said, "Africa has an opportunity at this point to utilise blockchain for land registries or transactions, 'smart' buildings and infrastructure for facilities management or repair, or new database capabilities for collaborative data sharing between market participants to jumpstart the traditional methods of improving market data and building real estate markets that are fit for the future. Nigeria, one of Africa's most traditionally opaque markets, has more than 50 PropTech start-ups.

Why It Matters: PropTech enables better decision making by providing investors and developers with more relevant and useful data. In markets lacking historical and transparent market data, the rapid increase and availability of data can drive higher levels of investment from institutional and private equity sources both African and international.



8 | GREEN DEVELOPMENT

Green Development: Overcoming Power and Infrastructure challenges

Green Councils have been established in Mauritius, Kenya, Rwanda, Zambia, Ghana, Tanzania and Namibia with more expected across the continent. The World Bank's IFC EDGE and the LEED green programmes are being adopted by major developers across the continent. Notable green certified developments; include Heritage Place, Lagos; Vienna Court and Garden City Nairobi, Takoradi Mall, Accra; Logistics (ALP North Kenya) and Affordable Housing by Echostone Housing in Nigeria among many others.

Why It Matters: Green building technologies increases transparency, reduces long term costs and improves asset value in the short and long term. Building Green also enables developers to secure access to new types of emerging funding such as green bonds. With African populations, arguably the most susceptible to climate change; reducing carbon emissions now is critical to achieving long-term sustainable developmental growth that is not detrimental to the environment and community health. Additionally, the rapid expansion of green developments is enabling communities to overcome power and historical infrastructure deficits.



9 | INCREASING GLOBAL INTEREST IN AFRICA

Increasing Global Interest driven by Yield Tightening in Traditional Markets

Ten years of maturity, data and proven success stories across multiple sectors and jurisdictions has helped to provide more certainty and is key to de-risking the investment case. Two of the most high-profile examples over the past year has been Grit Real Estate Income Group's listing on the London Stock Exchange and Nairobi's listing in the top 10 of Jll's World's Cities Momentum Index, the only African city to appear on the list.

Why it Matters: Changing the perception of Africa is critical to achieving sustainable Investment and driving inclusive economic growth. If capital is agnostic; it depends on Africans to innovate and improve and de-risk the investment case. Africa has a unique opportunity now, but progressive measures need to be taken to increase liquidity and market maturity in order to attract large scale investment in the next three to five years



10 | INDIGENOUS DEVELOPERS

Indigenous developers attracting fresh funding

One of the most eye-catching trends has been the rise of indigenous developers upending the traditional narrative and proving how local expertise matched with fresh funding can create and unlock value in multiple jurisdictions. Key drivers of this include: In Mozambique, Jat, a local construction company, has successfully developed and tenanted over 200,000m² of commercial office space in Maputo. In Kenya, Karibu Homes, a housing focused developer, has successfully delivered on one of Kenya's only truly 'affordable' housing development projects and shared the IP with the market. Other notable developers include Botswana's Prime Time which is active in Zambia, while RDC Properties continues to do business in multiple jurisdictions including Mozambique, South Africa, Madagascar and Namibia.

Why It Matters: Too much focus has been put on the challenges and to a certain extent failures of past African real estate projects. However, today is a prime time to look at the success stories, learn from them and double down on the execution ingredients needed for future African real estate developments. Increasing the exposure of successful African developments will in future unlock funding and greater government support and help build the future we want in Africa.



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ABOUT THE API SUMMIT

The African Property Investment (API) Summit is hosted by API Events, which is a pan-African producer of real estate investment and development business to business conferences across Africa.

Currently, the company hosts 9 events in prime African cities, including Johannesburg, Nairobi, Gaborone, Maputo, Harare, Lusaka, Lagos, Dakar and Abidjan.

The API Summit in Johannesburg, is the company's flagship event and attracts 600 delegates from 32 African and international countries representing more than 260 companies.

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Visit: www.apisummit.co.za to learn more and register to attend the event.