

Africa's real estate sector poised for growth

Host of the 10th annual Africa Property Investment (API) Summit Kfir Rusin asks: as Central and Eastern Europe become increasingly popular for South Africa's property sector due to subdued growth potential and earnings locally, should these funds not be investing closer to home?



“In the first two quarters of 2019, we’ve tracked ten significant transactions in excess of more than a half a billion dollars across multiple jurisdictions and sectors by API Summit stakeholders,” says Rusin. The growth and opportunity displayed by a diverse spread of international funds, DFIs, Bbanks, PE firms, institutional investors and others is evidence that despite apparent indifference to African opportunities in SA boardrooms, the continent’s real estate sector has evolved, and become increasingly more liquid and provides value in key nodes and sectors.

Some of the most high-profile deals include well-known listed funds and global investors, including Growthpoint Investec African Properties Investment Fund (GIAPF); Grit Real Estate Income Group; WeWork, Centum Real Estate, Nedbank; Standard Bank, the IFC and the UK’s CDC. For investors and developers looking for data and partners experienced in African development or looking to sell prime assets, these are the men and women responsible for structuring and executing these mega deals who will be at this year’s conference, confirmed Rusin. These include GIAPF’s managing director Thomas Reilly; Grit’s CEO Bronwyn Corbett; multiple senior investment officers from the IFC; Standard Bank’s head of Africa real estate Niyi Adeleye, the CDC’s Illaria Benucci, Centum’s RE MD Samuel Kariuki and others.

“The market has moved forward in the past six months, and we’re thrilled that so many major dealmakers will be at the API Summit to transact and share their experiences with our delegates,” he says.

Nuance, insight needed

These high value transactions, while not a repudiation of the South African listed sector’s muted view of the African opportunity, do provide a compelling narrative that the continent’s property markets are investable, but require nuance and insights. It’s not simply a copy and paste what’s worked here in SA will work elsewhere, says Rusin.

According to real estate analyst Craig Smith of Anchor Stockbrokers, Africa’s top markets are “definitely a more attractive



Real estate analyst Craig Smith of Anchor Stockbrokers

entry point than 18-24 months ago” but cautions that investors still need to exercise a “higher level of diligence” when investing. And while many South African funds continue to look at Central and Eastern Europe for scale and positive funding spreads, says Smith, the transaction spread by API Summit’s investors point to a market that is expanding, which is in line with his view that the “the opportunity set over the long term is immense”.

An analysis, which may explain the increased diversity and complexity in these deals, says Rusin. “We’re witnessing sophisticated deal structuring in affordable housing, hospitality, logistics, office space, and mixed use, across countries and regions.”

Top 10 African real estate deals in 2019

Growthpoint Investec African Property Fund to acquire malls in Ghana and Zambia

Deal size: Undisclosed

Centum RE and Nedbank debt deal for their Two Rivers development project

Deal size: \$75m

IFC invests in Hilton in Lusaka Protea Hotel (Zambia)

Deal size: \$9m

African Logistics Properties (ALP) signs debt restructuring deal with Standard Bank

Deal size: \$26.5m

Shelter Afrique in affordable housing deal with Habitat International

Deal size: \$100m

Grit buys Senegal Club Med

Deal size: \$12.5m with development plans of \$28.8m

CDC commits to mezzanine debt investment in Teyliom Hospitality

Deal size: \$30.7m

WeWork opens its first of many African Office locations in Johannesburg

Deal size: Undisclosed

Actis and Shapoorji launch affordable housing Joint Venture in Kenya

Deal size: \$120m

Westpark and Siemens to build sustainable industrial park

Deal size: Undisclosed

As Smith comments, “Africa’s markets are still relatively opaque, and it is vital that these markets continue with their efforts to improve transparency.” Adding that, “The experience of GIAPF is crucial in my view as this will provide evidence of performance to the SA market.”

The the 10th annual Africa Property Investment (API) Summit is set for 2-3 October in Johannesburg.

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