

"Pockets of glory" for property investment in Africa

With the current global deterioration in emerging markets, African economies, too, have been affected. But, "there are pockets of glory, particularly in East Africa" - but, investors need to do their homework before venturing in.

This was one of the key take-outs at the Royal Institution of Chartered Surveyors' (RICS) 2016 Africa Summit in Sandton recently.

Youth - the greatest asset

RICS Chief Executive, Sean Tompkins said it was important to create an environment where government, regulators and professional bodies hold one another to account. He stressed that Africa had a competitive advantage in its young population – "its greatest asset".



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"There is a role for professional bodies such as RICS to set the competencies to ensure that we're creating the workforce for the future," he said.

Slow growth prediction

Kganya Kgare, an economist at Stanlib, said the IMF (International Monetary Fund) predicts that sub-Saharan Africa would grow around 3,7% in 2016. While this is lower than the growth of around 10% between 2004 and 2013, it is still positive growth, driven by good growth expected in East Africa in countries like Kenya, Ethiopia and Tanzania.

“These countries are benefiting from not being commodity reliant. Kenya, Tanzania and Ethiopia have done a lot right on the infrastructure investment side in terms of deliberate planning and execution of planning. And, this is paying off with higher economic growth expected,” said Kgare.

“The African growth story is still there, but the best opportunities are in East Africa,” he added. In addition, there were opportunities in the real estate market around private finance initiatives and public-private partnerships.

Great assets up for grabs

Anthony Lewis, a director at Jones Lang LaSalle said the availability of local-currency leases in East Africa, as well as plenty of real estate in private hands and an established platform for investors also helped, nothing that uncertainty around US dollar leases was a primary concern for markets in West Africa.

Lewis added: “While the African narrative now seems quite negative from afar, this is a wider emerging markets problem. It is noteworthy that even in centres such as Lagos, with a slightly uncertain office market, there are great assets up for grabs.”

Unlocking the value of land

Nnema Byrd of Stanlib’s Africa Direct Property Development Fund said although sub-Saharan economies have seen significant headwinds, she believed this was temporary and there was a case for long-term investment. She pointed out the importance of specialised training, transparency and data to “connect the dots”, make predictions and provide a level of comfort to investors.

Byrd said unlocking the value of land contributed hugely to the GDP of economies and, to achieve this in Africa, countries needed to create something desirable to invest in. She said organisations such as RICS could help to promote standards and transparency.

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