

Challenges and opportunities shaping Africa's emerging proptech market

By  Sindy Peters

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This [#AfricaMonth](#), Tilda Mwai, research associate at Estate Intel, shares with us some of the data behind the growth opportunities and challenges in Africa's emerging proptech market. While still in its infancy, the market is gaining momentum, with Nigeria leading the pack.

Mwai addresses some of the challenges unique to Africa, the criteria investors should focus on, as well as how the sector is likely to shape the future of the continent's real estate industry.

■ **Funding allocated to proptech is gaining momentum across African markets, but it's still nowhere near the numbers achieved in more developed markets like the US and Europe. To what would you attribute this shortfall?**

The African proptech market is still in its infancy stages and we are currently playing catch up to the developed economies. Proptech funding only accounted for \$5.2m of the total \$3.7bn startup funding raised in the year to September 2022. Still, there have been significant gains as this was five times higher than the average of the past three years.



Tilda Mwai, research associate at Estate Intel

“ Homegrown funding solutions also remain scarce, leaving the market to be dependent on the US and Europe for funding. This has ultimately slowed down momentum. ”

Proptech's value proposition is also not always straightforward compared to other tech solutions such as fintech. This means that in most instances, market participation has been limited to industry players. Unfortunately, real estate remains one of the most rigid asset classes when it comes to innovation. This has ultimately impacted on growth momentum.

■ **How does proptech sector growth compare across sub-Saharan Africa's markets?**

We have definitely seen some countries prevailing over others. Nigeria has been leading the pack with an estimated market share of 43%. This has been followed by South Africa (23%), Kenya (9.75%) and Egypt (5%). Interestingly, this dominance is still in the hub countries in each region.

The interesting trend to watch out for is which 'underdogs' are likely to emerge within each region. Countries such as Uganda and Cameroon now have an estimated market share of 2.5% and 3.69% respectively, while others such as Botswana have notable proptech companies such as GoSmartValue.



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■ **What are some of the unique regional challenges for African proptechs?**

The main challenges that are unique to African proptechs have to do with enabling access and climate change solutions.

As a highly fragmented region, access across the real estate ecosystem remains limited. This includes access to information, financing/mortgages, construction materials, security of tenure amongst others. It is, therefore, not surprising that the current proptech companies, such as Estate Intel and Home Africa for example, focus on bridging the gaps within this premise.

On the other hand, rampant power supply challenges, especially in countries such as Nigeria and South Africa, have catapulted a need for focus on ESG issues, especially in relation to property management and energy efficiency for landlords. While there are no significant companies to mention here, I believe this will be the future trajectory for upcoming innovations.

■ **What are some of the key metrics that investors should be looking at when considering proptech investments in Africa?**

Outside of the usual metrics focused on the region of investment and funding stage of the company, investors should keenly focus on the solution that a proptech company is offering.

“ Companies focusing on a need entrenched with the masses are likely to scale and innovate much faster. ”

Most proptech companies are still limited to offering property listing and property management solutions, currently accounting for 27% and 14% of the market share. However, there has been a notable shift to other solutions, such as data digitalisation and analytics (6%), smart buildings (7%) and flexible living solutions (3%).



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■ **How do you see the sector shaping the future of the African real estate industry?**

As the African real estate industry continues to grow, increased proptech activity is likely to lead to market sophistication and formalisation. As earlier mentioned, the major challenge in the current industry has to do with the lack of access.

In an environment where investors are not able to access market information, determine security of tenure, access financing or access construction inputs easily, the market is likely to lag behind. However, with proptech companies actively bridging these gaps, we expect increased investor participation and overall market growth.

**Data provided is from Estate Intel's analysis of 225 proptech startups in Africa.*

ABOUT SINDY PETERS

Sindy Peters (@sindy_hullaba_lou) is a group editor at Bizcommunity.com on the Construction & Engineering, Energy & Mining, and Property portals. She can be reached at sindy@bizcommunity.com

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