It would be easy to underestimate the impact of global megatrends on Africa. After all, Africa’s real estate markets have traditionally lagged behind developed and many developing economies.

However, our research suggests the impact of global megatrends on Africa will be huge. In this report we consider their impact on the African continent.
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Global megatrends, such as rapid urbanisation and demographic changes, will lead to substantial growth in the global real estate industry over the next five years. Opportunities in the industry will surge, as will assets invested in the sector. These are some of the major findings of PwC’s Real Estate 2020: Building the future report. But how will these megatrends impact the hugely diverse sub-regional and national markets on the African continent?

It would be easy to underestimate the impact of global megatrends on Africa. After all, Africa’s real estate markets have traditionally lagged behind developed and many developing economies. Levels of investment in real estate in Africa are low by a global standard, while significant challenges exist in exploiting potential opportunities.

However, our research suggests the impact of global megatrends on Africa will be huge. In this report we consider their impact on the African continent. Our objective is to provide an assessment of the current state of the real estate industry across Africa and demonstrate how megatrends will drive growth opportunities in key African markets.

The report also considers the real estate market in 10 selected countries in sub-Saharan Africa. These country profiles provide insight into local, regional and global influences on the real estate markets of individual countries, providing an illustration of impacts of trends being felt at a national level.

We hope our report will provide insight into the real estate market in Africa and help to identify some of the opportunities, risks and rewards encountered by investors in African real estate.

Ilse French
PwC Africa Real Estate Leader
During March 2014, PwC released *Real Estate 2020: Building the future*, a report which highlights global trends and makes certain predictions about the real estate industry up to 2020. Some of these global trends are already evident in the African real estate industry, while others will only start to appear in the future.

The six predictions that the *Real Estate 2020: Building the future* report made for 2020 and beyond are:

- The global investible real estate universe will expand substantially, leading to a huge expansion in opportunity, especially in emerging economies;
- Fast-growing cities will present a wider range of risk and return opportunities;
- Technology innovation and sustainability will be key drivers for value;
- Collaborating with governments will become more important;
- Competition for prime assets will intensify further; and
- A broad range of risks, including new risks, will emerge.
These predictions reflect the impact of global megatrends observed in the report. *Real Estate 2020: Building the future* observes that global megatrends will change the global real estate landscape considerably in the next five years and beyond, and Africa is no exception. The six global megatrends highlighted in *Real Estate 2020: Building the future* are:

- **Huge expansion in cities, with mixed results.** By 2020, the twenty first century’s great migration to the cities will be well underway. Cities will be swelling across the fast-growing countries in Asia, Africa, the Middle East and Latin America. Even the developed Western nations will be urbanising, albeit at a slower pace. But not all cities will prosper. While some will become great centres of wealth creation in a multipolar world, others are likely to fail.

- **Unprecedented shifts in population drive changes in demand for real estate.** Demographic shifts will affect demand for real estate fundamentally. The burgeoning middle-class urban populations in Asia, Africa and South America will need far more housing. Meanwhile, the advanced economies’ ageing populations will demand specialist types of real estate, while their requirements for family homes will moderate.

- **Emerging markets’ growth ratchets up competition for assets.** Real estate is an integral part of the emerging markets’ growth phenomenon. Even as growth moderates in many emerging markets, the pace of construction activity remains rapid, increasing investment opportunities. The rise of emerging economies is also increasing competition among real estate managers and the investment community.
• ‘Sustainability’ transforms design of buildings and developments. Cities contribute an estimated 70% of the world’s energy-related greenhouse gases while occupying just 2% of its land. Their locations – often in low-elevation coastal zones – and large populations make them particularly vulnerable to the impacts of climate change, such as rising sea levels. As the world rapidly urbanises, so the pressures to make buildings more eco-efficient are mounting.

As stated in Real Estate 2020: Building the future, while most of these global megatrends are already becoming evident, there is a natural tendency to underestimate their impact. The impact of many of these megatrends on the Africa landscape will differ from the expected impact in developed countries.

In this report we look at the impact of these megatrends on some of the fastest growing and developing economies on the African continent.

• Technology disrupts real estate economics. Technology is finally coming to real estate. By 2020, technology will have both altered the economics of entire subsectors of the industry, and changed the way that real estate developers and the investment community operate.

• Real estate capital takes financial centre stage. Private capital will play a critical role in funding the growing and changing need for real estate and its supporting infrastructure. Just as asset managers, real estate funds and sovereign wealth funds (SWFs) find the assets under their control swell, so governments will have an increasing need for capital to finance urbanisation. Private real estate capital will become an important partner of governments.
**The drivers for growth in Africa**

From our analysis of these megatrends, we have identified eight potential drivers of growth in the real estate industry in Africa.

1. **Africa’s young population will drive the demand for real estate and different types of real estate. Across Africa there will be continued urbanisation, an expansion of current cities and the rise of new cities.**

According to the World Bank, Africa’s median age was 19.7 years in 2012, and it is expected to increase to 25.4 years in 2050, making Africa the continent with the youngest population. The global megatrend relating to ageing populations and the consequent increase in the demand for retirement homes is therefore not expected to have a significant impact in Africa by 2020. Projections suggest that in 2015 the continent will have a population of 226 million aged between 15 and 24 years\(^1\). This is expected to double by 2045.\(^2\) This young population will drive growth in the demand for housing. This may include new or emerging residential subsectors, for example student housing.

Africa is the world’s second-largest and second-most populous continent with 30.2 million km\(^2\) or 20.4% of the total global land area. Mauritius is the most densely populated country on the continent with 639 people per km\(^2\), while Namibia is the least densely populated with three people per km\(^2\).\(^3\) The figure alongside shows the diversity of population density in Africa.

---

*Source: World Bank’s World Development Indicators*
Continued urbanisation will have a major impact by 2020, and beyond. It is estimated that the urban population in Africa will increase to 56% in 2050, making it the most rapidly urbanising region in the world. The figure below shows the estimated urban population of a selection of African cities by 2025, compared to 2010:

**Growth of Africa cities:**

<table>
<thead>
<tr>
<th>City</th>
<th>2010</th>
<th>2025</th>
<th>% Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dar es Salaam</td>
<td>10m</td>
<td>140m</td>
<td>130%</td>
</tr>
<tr>
<td>Luanda</td>
<td>2m</td>
<td>10m</td>
<td>450%</td>
</tr>
<tr>
<td>Lagos</td>
<td>0m</td>
<td>20m</td>
<td>200%</td>
</tr>
<tr>
<td>Nairobi</td>
<td>60m</td>
<td>120m</td>
<td>100%</td>
</tr>
<tr>
<td>Kinshasa</td>
<td>80m</td>
<td>140m</td>
<td>75%</td>
</tr>
<tr>
<td>Douala</td>
<td>10m</td>
<td>60m</td>
<td>500%</td>
</tr>
<tr>
<td>Dakar</td>
<td>40m</td>
<td>120m</td>
<td>200%</td>
</tr>
<tr>
<td>Abidjan</td>
<td>60m</td>
<td>10m</td>
<td>100%</td>
</tr>
<tr>
<td>Ibadan</td>
<td>2m</td>
<td>80m</td>
<td>400%</td>
</tr>
<tr>
<td>Addis Ababa</td>
<td>40m</td>
<td>10m</td>
<td>150%</td>
</tr>
<tr>
<td>Accra</td>
<td>80m</td>
<td>140m</td>
<td>75%</td>
</tr>
<tr>
<td>Johannesburg</td>
<td>10m</td>
<td>60m</td>
<td>500%</td>
</tr>
<tr>
<td>Al-Qahirah (Cairo)</td>
<td>2m</td>
<td>60m</td>
<td>300%</td>
</tr>
<tr>
<td>Al-Iskandaryah (Alexandria)</td>
<td>10m</td>
<td>20m</td>
<td>100%</td>
</tr>
<tr>
<td>El Djazair (Algiers)</td>
<td>40m</td>
<td>120m</td>
<td>200%</td>
</tr>
<tr>
<td>Cape Town</td>
<td>60m</td>
<td>120m</td>
<td>100%</td>
</tr>
<tr>
<td>Dar-el-Beida (Casablanca)</td>
<td>2m</td>
<td>10m</td>
<td>500%</td>
</tr>
<tr>
<td>Durban</td>
<td>0m</td>
<td>2m</td>
<td>0%</td>
</tr>
</tbody>
</table>

**Source:** United Nations Population Division, World Urbanisation Propectus, the 2014 revision

The UN expects the fastest-growing urban agglomerations across Africa to be medium-sized cities and cities with fewer than one million inhabitants. The unprecedented shifts in demographics will affect the demand for real estate fundamentally. In the residential sector, growing urban populations will increase demand for affordable housing, while a burgeoning middle-class will drive demand for more mid-range properties. While office, industrial, retail and residential will remain the dominant sectors, affordable housing, agriculture, healthcare, retirement and mixed-use properties will become significant sub-sectors in their own right.
2 Industrialisation will continue across Africa and will be accompanied by a rapid growth in the retail sector.

Indications suggest that industrialisation will be funded by foreign investors, such as China. Intra-African trade and investment will continue to be an important driver of growth, as high-profile local companies expand into regional markets. The retail sector will also develop rapidly as growing populations and burgeoning middle classes demand greater volumes of more varied goods. The need for economic diversification, together with growth, will support the expansion of non-resource sectors and investment opportunities will arise through an increase in demand for real estate from these sectors.

3 The export of natural resources and agriculture will remain key sources of economic growth, but will expose certain countries to increased risk.

Natural resources will remain a major source of economic growth in Africa. New discoveries continue to drive the growth of local activity, although this continued dependency on natural resources will present both opportunities and challenges for real estate developers and investors across the continent. As global demand for food grows, revenue from Africa’s agricultural output will increase, while Africa’s significant area of uncultivated arable land will provide opportunities for growth. The risk presented by the economic fragility of commodity-exporting countries must be offset by the potential rewards from investment – either directly in helping to exploit new commodity discoveries, or indirectly through developments aimed at catering to the increased consumer demand resulting from associated economic growth.

4 Infrastructure shortages will create opportunities for investment.

Growth sectors will continue to create demand for infrastructure investment. Connections to road, rail and public transport are vital for urban success. Doing business in Africa remains a challenge as infrastructure lags well behind the rest of the world, but there are distinct regional differences. Recent PwC research suggests that infrastructure spending in sub-Saharan Africa will exceed US$180* billion per annum by 2025, a growth rate of 10% per annum. Major infrastructure investment programmes in Nigeria and South Africa are now being accompanied by significant projects in other countries like Ghana, Kenya, Mozambique and Tanzania. However, a huge shortfall in government funding creates opportunities for private investors to support this development need through direct investment and public-private partnership (PPP) agreements.

*Local currencies were converted to US dollar (US$) and are approximate
The influence of government policy and legislation on the decision to invest will increase, while local partnerships will become increasingly important.

Increased political stability on the continent and increased participation in local partnerships will continue to ease investors’ concerns relating to investing across Africa. Collaborating with governments or involving a local partner in future real estate developments in Africa will become more important to mitigate the risks. Governments and the investment community will have to work together to fund and build cities and their infrastructure.

Continued advancement within pension fund, stock exchange and banking regimes will facilitate investment, and an increased range of investors will drive demand for real estate investment opportunities.

Development finance institutions (DFI), sovereign wealth funds (SWF) – government-run investment vehicles that manage state-owned assets – and private equity providers continue to enter the market alongside private capital and institutional investors, while developers and investors will find raising capital in the markets easier as the local financial apparatus develops. With interest from a range of investor classes and continued high returns, competition for prime real estate and infrastructure assets will increase.

Technology will impact business and building practices as well as consumer behaviour.

Online technology is already having a significant impact on the finance and banking industry across Africa with the rise of mobile banking. However, the full impact of technology on real estate in Africa will only be felt in the medium to long term, as access to technology increases across the continent and the traditional consumer culture in Africa begins to change. Innovative and low-cost building technologies will also help make housing affordable.
Building the future of Africa

Sustainability will become entrenched in building design and occupier requirements, with Africa’s most ambitious countries changing city design and building practices.

We observed that in certain countries where new cities are being built, developers are using eco-friendly technologies to reduce their environmental impact. Some of these technologies include solar building integration, climate responsive building strategies, renewable building materials, recycling and reuse, ecological building materials, an integrated planning process, low-cost design and the use of innovative design tools, as can be seen in One Airport Square in Ghana. This trend is expected to continue in Africa, albeit at a slower pace than in the developed world. Konza City in Kenya, Eko-Atlantic in Nigeria and Roma Park in Zambia are just a few of the entirely new urban villages focusing on the concept of ‘place making’ in a sustainable way. Use of these new technologies will be accelerated by new sustainability legislation in the most progressive African markets.

Risks of investing in Africa

One of the key predictions made for 2020 relates to the emergence of new risks, together with the rewards attributed to the new risks. Africa has 54 very different countries with low connectivity between them, and there is no single answer for ‘which countries to invest in’. Some of the additional risks of real estate investment in Africa include:

- The impact of political instability and changing government policy;
- Social instability resulting from inequality;
- A lack of economic diversity, with an overdependence on natural resources;
- Complex legal considerations, such as property ownership rights and investment restrictions;
- The volatility of local currencies against the US dollar; and
- The timeframe of investments and restrictions on possible exit strategies (e.g. limited institutional investors as compared to more developed markets).

It is important that investors give consideration to these risks when investing in Africa.
**Why Africa?**

Despite these risks, real estate investors and developers continue to see the African market as a huge opportunity.

Investment returns from real estate in Africa’s rapidly expanding economies significantly exceed those achievable in almost all developed markets. Forecasts of 20% net annual returns7 from investing in shopping malls, office blocks or industrial complexes in countries across Africa continue to draw in new investors.

The opportunities across Africa are significant and span every sector. In almost all markets, demand for high-quality retail, office and industrial space continues to outstrip supply as international and local occupiers respond to new economic opportunities. Huge shortfalls in residential property across the continent give rise to opportunities for private development on a grand scale, while a lack of local funding for infrastructure projects provides a platform for new private partnerships with the public sector. Demographic shifts and changes in consumer behaviour create demand for different types of real estate, allowing the entry of more specialist investors into the market.

Economic growth, improving political stability and ongoing investments in infrastructure are opening previously inaccessible markets, while increased transparency and availability of local partners is helping to improve the ease of doing business. Barriers to local market entry may be high, but by entering the market early, investors may be able to reap the rewards in the form of high returns and exploit new opportunities as they arise.

African opportunities can be exploited best by combining the competitive advantage of individual countries into a coordinated business model. For example, such a model might combine developed South African capital markets with high retail growth in less developed countries.

Risk appetite remains an important consideration for any investor in Africa, but for those real estate companies that can accept and manage these risks there are significant rewards on offer from the right investment.

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* Recognition on page 83
Section 2

Building the future of Africa – Drivers for real estate growth

Megatrends in African real estate

This section discusses the megatrends that will drive growth in the real estate industry in Africa.
Africa’s young population will drive the demand for real estate and different types of real estate. Across Africa there will be continued urbanisation, an expansion of current cities and the rise of new cities.

Africa currently represents 15% of the world’s population and 3% of the world’s GDP. Africa also has a relatively young population. The continent currently has a population of 200 million aged between 15 and 24 years and this is expected to double by 2045. Between 2010 and 2020 Africa’s consumer spending is also expected to double. The World Bank now classifies 27 of the 54 countries in Africa as either mid- or high-income countries – 12 more than in 2000. Zambia and Ghana were upgraded to mid-income status in 2011.

It is estimated that the GDP of sub-Saharan Africa will grow at 4.6% in 2015 and 4.9% in 2016. Growth for oil exporting countries is expected to be above the continental average at between 5.5% to 5.6% per annum for the same period. These projections reflect the importance of oil prices to growth in oil exporting countries. A sustained period of the low oil price, as has been experienced from late 2014, may undermine GDP growth and regional real estate markets. For those countries in North Africa, individual GDP growth forecasts range from 3.3% to 5.5% in 2015 and 3.5% to 6.0% in 2016.

By 2050, Africa will account for almost 24% of the world’s population. As at 2014, 40% of Africans were urbanised. The world’s average for the same period was 54%; by 2030 this will increase to 47%, and by 2050 56% will be urbanised. This will be the result of 400 million people in Africa migrating from rural areas to cities. Lagos is expected to be the twelfth-largest city in the world by 2025. It is predicted that Africa’s share of the global workforce will increase from 13% in 2010 to 25% by 2050. The UN predicts that the urban population in Africa will surpass the rural population by 2037.
A recent study by Standard Bank\textsuperscript{16} indicates that by 2030 the number of middle-class households across the 11 fastest-growing countries in Africa\textsuperscript{17} will have increased to 40 million from today’s 15 million households. Many of the largest cities in Africa are growing rapidly. Nairobi, Kinshasa and Dar es Salaam, for example, are expected to see population growth of over 70% by 2025. Nigeria alone will add 7.6 million middle-class households, followed by Ghana with 1.6 million. Angola and Sudan will add one million middle-class households each. On a scale of urban population and GDP growth, Nigeria is far ahead of the rest.

As successful cities attract more and more people, the cost of prime urban real estate per square metre will continue to rise. Affordability will fall, leading to greater urban density and smaller apartments. Developers will become more innovative about how they design and build commercial real estate, seeking to use space more efficiently. Construction techniques, such as prefabricated buildings and 3D printing, offer potential for fast, cheap and eco-friendly development.

Source: Standard Bank, Understanding Africa’s middle class

Africa’s growing middle class

Source: PwC analysis, Middle class defined as those earning $4 to $20/day
The change in demographics and increasing urbanisation create significant infrastructure needs and funding requirements. It is estimated that there is a shortfall of 17 million housing units in Nigeria alone, with a funding requirement of US$363 billion. The real estate sector contributes 7.78% to the Nigerian GDP. The significant investment shortfall creates opportunities for investors in the long run.

Population changes will not only affect the demand for goods, but Africa’s fast-growing young population will also drive demand for a different type of real estate – for example student housing.

In South Africa, for the academic year beginning January 2015, 207 000 university students and 400 000 students in Further Education & Training (FET) institutions will not have adequate housing. Nigeria, Kenya and Ghana also face significant shortages in student accommodation, leading to some private investors targeting the student housing market for future developments.

According to the World Bank, Africa’s median age was 19.7 years in 2012 as compared with a global median of 29.7 years. Africa’s median age is expected to increase to 25.4 years by 2050, and Africa will remain the continent with the youngest population. African economies face the challenge of ensuring this young population is employed in order to promote stable growth.
With young, growing populations in most countries, the chance for a ‘demographic dividend’ looks good. But a growing population can only drive growth if enough people are above the poverty level and are employed.

The Gini index – a measure of income inequality where 0 represents complete equality and 100 represents perfect inequality – shows there is significant variation in income inequality across Africa. According to World Bank analysis, over the last five years South Africa has had a Gini index score of 65 and Nigeria, a score of 43.

In Nigeria, Africa’s most populous country, 84.5% of the population lived below the US$2/day poverty line in 2010, up from 83.1% in 2004. In Mozambique, only 2.6% of the population is considered part of the ‘stable middle class’ (per capita consumption level of US$4 to $20/day). The situation is already very different in Egypt, where around 30% of the population have made it into the middle class.

Africa’s worrisome youth unemployment is normally assessed against the continent’s fast economic growth. The unemployment rate in Africa is 6%, compared to the global average of 5%. The difference may not seem significant, but the issue is that unemployment in Africa is mainly affecting young people. It is estimated that youth unemployment is twice that of adults and accounts for 60% of all unemployment. The majority of African governments are intervening to alleviate the youth unemployment problem. One example is the National Student Financial Aid Scheme of South Africa.

Demographic shifts will affect demand for real estate fundamentally. According to PwC’s report Africa Business Agenda 2014, 67% of respondents to the survey indicated that urbanisation, closely followed by demographic shifts, will impact their business significantly in the next five years.

Megatrend impacting society and business

Source: Africa Agenda 2014, regional responses to PwC CEO survey
Shifting demographic trends are likely to create a huge need for new and different real estate by 2020 and beyond. The burgeoning middle-class urban populations in Africa will need far more housing. Residential real estate will become more specialised, with local and cultural differences influencing how this evolves. For example, young professionals may favour smaller city apartments, while young families may live in gated community developments outside the city centres. In terms of financing these new developments, residential property is an area of anticipated growth for listed property funds. Currently, residential holdings make up only 2.5% of listed property funds, as compared to 15% in developed markets and 25% in other developing markets. As markets develop, funds will begin to increase their residential holdings. The rise of mixed-use developments in Africa should not be underestimated as people seek to reduce travel times by living closer to centres of employment, recreation and retail.

Satellite cities
Population increases in urban centres will also lead to an increase in the number of satellite cities, albeit at a slower rate to that in developed markets where major cities have already felt the effects of rapid urbanisation. The emergence of satellite cities, defined as people moving to rural environments as a result of the ever-increasing density of the main cities, is likely to impact only the largest cities in Africa by 2020.

Ghana’s Hope City and Kenya’s Konza City are examples of this type of significant ultra-modern satellite city development. Both include a mix of both residential and commercial premises. Developers are also pursuing near-city developments. Eko-Atlantic, Nigeria, is a major near-city development expected to change Nigeria’s real estate landscape.

Research indicates that high-speed railways make satellite cities more attractive while relieving pressure on main cities. By reducing travel time, high-speed railways push satellite cities closer to main cities.

Concerns have been raised by commentators regarding the financing, integration and economic sustainability of some satellite cities. However, announcements of planned developments suggest this will continue to be a trend in Africa.

Low-cost housing
Increasing urban populations will increase demand for residential property across the continent. In the short term this demand will be primarily for low-cost housing through direct or indirect investment spearheaded by the public sector.

Innovative government solutions to help low-income households access mortgage finance are also being developed, such as in Nigeria, where 2.5% of wages is contributed to a fund controlled by the Federal Mortgage Bank of Nigeria to provide mortgages to low-income families and to support the development of new homes. In South Africa, the Gauteng Partnership Fund (GPF) is mandated by the Gauteng Department of Human Settlement to accelerate the provision of human settlements. The GPF aims to assist housing developers with equity-type loans, which enhances the bankability of projects to enable senior lenders to finance on favourable terms. According to the latest annual report, for the period 2012/13, the GPF helped to attract US$210 million in private-sector funding into the affordable housing sector, leading to the delivery of 22 000 houses between the GPF’s inception in 2002 and 2013.

Health sector
Increasing urban populations will also impact on the provision of healthcare. As urban populations expand and patterns of settlement shift, health providers in both the public and private sectors will need to increase the range and location of service delivery. The population’s changing age profile will also have implications for the services delivered by local health providers.

These demographic shifts will present opportunities for real estate developers as the public sector struggles to meet the escalating cost of public health provision and the private sector seeks ways of re-applying capital to the delivery of core services. To support these changes, an increase in PPPs, development agreements and sale and leaseback of health facilities can be expected, creating opportunities for specialist developers and investors familiar with the health market in other territories. For example, in Ghana, PPP projects are planned to improve diagnostic services at Korle-Bu Teaching Hospital and a proposed new Urology/Nephrology Centre Of Excellence.

As new hospitals are developed to meet growing demand, there will also be a need to develop the supporting infrastructure to provide access to the sites, together with secondary opportunities such as retail, employee housing and other related services.
Based on examples such as Britain in the nineteenth century and China in the twentieth century, sustained economic growth has been linked to industrialisation. However, Africa faces new opportunities and challenges to those faced by even more recently industrialised economies such as China. These include changing global markets and increased automation in manufacturing.

Looking at the formal sector, industrialisation in Africa has decreased over the past decade. The manufacturing sector contributed less than 10% to African countries’ GDP in 2012, compared to 30.5% in industrialised countries. However, by including the informal sector in the analysis, industrialisation increased, showing the importance of this part of the economy for future growth. Manufacturing exports more than doubled from 10% in 2000 to 23% in 2010.

Investment from China, in the form of direct investment and development loans, will remain a key driver of this rapid industrialisation. In PwC’s *Africa Business Agenda 2014* survey of CEOs across Africa, 23% of CEOs identified China as the most important country for growth. Although data about Chinese foreign direct investment (FDI) is not readily available, reports suggest that Chinese investment in African manufacturing had amounted to US$3.43 billion by 2012.

According to the IMF, trade activity between African countries has historically been poor due to a high proportion of them being relatively small and landlocked. Many countries experience barriers to trade created by physical and human geography. Africa’s terrain also varies widely from desert to rain forest, which challenges infrastructure, while sparse population densities also present difficulties. As infrastructure development continues, the increased industrialisation would make countries more connected, fuelling trade between nations and thereby generating demand for real estate such as warehousing facilities.

South Africa has been on the forefront of growth in intra-Africa investment and trade. Total outgoing FDI figures for 2013 were US$5.6 billion, with the majority of this being invested in neighbouring African countries. Intra-regional investment can also be seen from countries such as Kenya and Nigeria and from those in North Africa. The destination of this investment is also moving away from commodity industries, with nearly a third of all intra-Africa investment being in financial services.

Intra-Africa trade occurs as a result of growing diversification towards activities related to services, manufacturing and infrastructure. The investment is mainly driven by high-profile South African companies such as Bidvest, Shoprite, Pick n Pay, and MTN. South African companies are seeking new growth markets to compensate for the lower GDP growth back home.
African consumerism and the importance of retail

A recent study by the Economist Intelligence Unit found that institutional investors now regard the emergence of Africa’s middle class and its growing consumerism, rather than its commodities, as the most attractive aspect of investing in Africa. Using the theory of purchasing power parity – an economic theory used to determine the relative value of different currencies – and taking into account the relative prices of non-tradable goods in different countries, Africa is estimated to grow by 30% over the next five years compared to 10% in other more developed regions.36

Demographics – sizing the opportunity

![Graph showing retail market growth in Africa](image)

**Source:** IHS Global Insight, September 2013 (EOM)

Africa’s retail market is fast developing. This is supported by Africa’s buying strength, which is expected to increase from US$860 million in 2008 to US$1.4 trillion by 2020. Significant construction activities in respect of shopping malls are underway in Africa – in Lagos there are currently ten under construction. More than 60% of sub-Saharan Africa’s bullish economic growth is attributable to the region’s consumer spending.37 Most of the world’s biggest consumer goods companies are already operating in Africa.

An analysis of major South African retailers expanding into Africa38 shows that growth in turnover of their African operations is often three times more than in South Africa. For example, Shoprite plans to open 30 additional stores in Africa in the financial year to June 2015, representing a 17.8% increase.39

Nigeria offers huge potential, where a substantial population and a fast-growing economy and middle class are creating significant demand for retail options. Most of the demand is seen in metropolitan areas where retail space is currently undersupplied.
The expansion of the financial services sector

In a number of African economies, the financial services sector is also expanding as countries seek to diversify away from commodity-dependent industries. In addition to already developed markets such as those of Mauritius and South Africa, Rwanda now has a thriving financial services and banking industry, while Zambia has posted a recent 12% growth per year in financial services. Botswana has a small but thriving financial sector, and the government has outlined a strategic plan for the sector’s future development.

These trends in the manufacturing, retail and service sectors will bring about shifts in demand for real estate. The continued progress of industrialisation will increase demand for industrial premises around developing transport hubs to meet the needs of the manufacturing industry, together with secondary markets such as housing and retail centres for workers. An increased demand from retailers entering African markets for high-grade space will drive the creation and expansion of shopping centre developments. The growth of the financial services sector may generate a localised increased demand for new office space; however, the impact of this demand will be limited to a small number of developing financial centres.
The export of natural resources and agriculture will remain key sources of economic growth, but will expose certain countries to increased risk.

Natural resources, especially oil, have for decades been the main source of economic growth in Africa. The continent holds one third of global mineral reserves and one tenth of global oil reserves, and produces two thirds of the world’s diamonds. New discoveries continue to drive new bursts of local activity. Natural resources remain a key source of foreign exchange reserves across Africa.

The impact of natural resources on real estate development is well illustrated with the oil and gas discoveries in Mozambique in 2012. The infrastructure required to commercialise these discoveries was more than double the country’s GDP. Investors acted on the opportunity, providing the infrastructure necessary to fully exploit these resources, and as a consequence an entire new city developed in the northern province of Cabo Delgado.

Minister Oyoubi of Gabon says oil exports helped Gabon achieve growth of 6% during 2013, and Minister Konneh of Liberia noted that the mining sector is an important source of strong growth. Oil reserves in Angola led to the establishment of the Angolan SWF. In September 2014, the fund was worth US$4.95 billion. The fund has an objective to build Angola’s infrastructure by investing up to 20% in alternative investments such as real estate.

Agriculture in Africa is also changing, with African governments increasing their investments in the sector. With world food production needing to rise 60% by 2050, Africa will be an important part of the solution. The continued industrialisation of the agricultural sector is therefore important to drive growth. According to the Food and Agricultural Organisation’s statistics, Africa has about 1.2 billion hectares of agricultural land, accounting for 23.9% of the world’s total. It is estimated that Africa has about 60% of the world’s uncultivated arable land and that the agribusiness output will increase from US$313 billion to US$1 trillion by 2030.

Downturn in commodity prices

PwC’s recent report, Mine 2014: Realigning Expectation, highlighted the difficulties facing the mining industry. As a result of the global downturn in commodity prices, companies have been facing significant write-downs and profit slumps. These challenges faced by the industry have a direct impact on African countries dependent on commodity exports as the foundation of their economy.
The chart alongside sets out the commodities price index for the 2010-2014 period. Following price fluctuations in recent years, commodities have seen a recent significant decline across all categories.

Commodity price instability has a negative impact on economic growth, and with a 80% estimated dependency of African countries on commodities to earn export revenue, its impact on GDP performance should not be underestimated.

**Falling oil prices**

According to forecasts by the US Energy Information Administration (EIA) in January 2015, oil is expected to sell for US$58 per barrel in 2015. In mid-January 2015 the Bank of America Merill Lynch predicted the price would drop to a low of US$31 by the end of Q1 2015. A fall to this price would be the lowest since April 2004.

The sharp decline in oil prices is threatening the economies of several African countries, with Nigeria, Angola, Equatorial Guinea, Gabon, Sudan, Algeria, Libya and Egypt being affected most. Oil-exporting countries will lose government revenue as a result of lower oil prices. The IMF has revised its growth projections for sub-Saharan Africa to reflect 0.9% negative impact on the continent’s GDP growth in 2015 as a result of the fall in oil prices. As a result of the impact of the oil price fluctuation, the IMF estimates that non-oil sectors such as construction and retail will drive economic growth, supported by high levels of public spending.

In addition to falling commodity prices, restrictive legislation may also impact on commodity revenue. For example, in Zambia a new royalty regime has been introduced increasing royalties payable by mining companies from 6% to 20% for open mines and from 6% to 8% for underground mines. This significant increase in royalty payments is likely to create disincentives for future private sector investment, with consequent impact on employment and growth.

This continued dependency on natural resources will present both opportunities and challenges for real estate developers and investors across the continent. The risk presented by the economic fragility of commodity exporting countries must be offset by the potential rewards from investment, either directly in helping to exploit new commodity discoveries, or indirectly in the form of developments catering to the increased consumer demand resulting from associated economic growth. An increase in economic diversity will begin to mitigate these risks, but this will remain a key consideration for investors in 2020 and beyond.
Doing business in Africa remains a challenge as infrastructure lags well behind that of the rest of the world, but there are regional differences. In Ghana road density is similar to the level in China, and in South Africa it is similar to the United States. The World Bank estimates that Africa’s infrastructure deficit requires investment of US$93 billion per annum. Recent PwC research suggests that infrastructure spending in sub-Saharan Africa will reach US$180 billion per annum by 2025 at a growth rate of 10% per annum. Significant investment is planned in utilities and transport links, but governments must overcome significant shortfalls in available finance for these projects through engagement with the private sector.

**Electricity**

It is estimated that 30% of the African population has access to electricity, compared to 80% worldwide. The economies of many African countries are disadvantaged and challenged by the quality and quantity of the electricity supply. To achieve the goal of universal access for sub-Saharan Africa by 2030, a total of US$300 billion in private investment is required to close the electricity infrastructure shortfall, creating a significant opportunity for investors.

**Sub-Saharan Africa’s power supply**

- **Sub-Saharan Africa’s annual electricity consumption per person stands at about 200 kilowatt hours (kWh).**
- **Raising it to the level of lower middle income countries (typically about 700 kWh) requires at least 125 GW of additional generation capacity and the building of the associated transmission and distribution networks, at the cost of about $400 billion.**

*Source: Independence Power in Africa report*
Transport

Africa’s growing urban population will increase pressure on existing transport networks. Although accurate urban congestion data for Africa is limited, being rarely reported in the form of a congestion index,58 cities such as Lagos in Nigeria, Dar es Salaam in Tanzania, Kampala in Uganda, Gaborone in Botswana, Johannesburg and Cape Town in South Africa, and Nairobi in Kenya are considered to be some of the most congested cities in sub-Saharan Africa.

Statistical data projects that governments in most regions will remain in a net borrowing position beyond 2019,59 with increasing lending constraints being put onto banks by regulators; so, where will the financing for infrastructure development come from? The lack of funding by governments and banks, due to a changing regulatory regime, creates significant infrastructure investment opportunities for the private sector.

Public-private partnerships

With Africa’s infrastructure development facing challenges in attracting private sector and foreign direct investment, PPPs have reliably funded infrastructure projects across the continent.

A PPP is a government service or private business which is funded and operated through a partnership between the government and one or more private companies.

Data provided by the African Development Bank shows that PPPs have fostered development over the past decade. The majority of PPPs have taken place in infrastructure developments such as power, transport, telecommunication, and water and sanitation.

Establishing PPPs in Africa is challenging because of the business environment, inadequate legal and regulatory frameworks for PPPs, a lack of technical skills to manage PPPs and unfavourable investor perceptions of some countries.60

Despite these challenges, there have been a number of successful PPPs on the continent. These include: the N4 toll road from South Africa to Mozambique; the Maputo Port; the privatisation of the Ugandan telecommunications provider; and water provision in the Dolphin Coast, South Africa.

“Despite challenges like the under-developed infrastructure, we extended our international Express Network to all countries in Africa. We provide our customers access to the African markets and help African manufacturers develop their exports. Compared to other regions, our Africa business is still small, but growing above average.”

Dr Dirk Baukmann, CFO, DHL Express Sub-Saharan Africa

Source: PwC – Africa gearing up
Infrastructure opportunities

Numerous infrastructure development and investment projects are currently underway across the continent. Ethiopia is building Africa’s largest hydroelectric plant, and Kenya, the world’s largest single geothermal plant. The continued improvement of infrastructure will support additional investments in other real estate development in the retail and office sectors.

A PwC analysis of transport and logistics in Africa found Ghana, Kenya, Mozambique, Angola and Nigeria have the highest prospects for growth, as shown in the table below. Criteria used in the analysis included trade and logistics, trade activity, trade facilitation (for instance, its customs clearance processes), and transport infrastructure, which are all fundamental to the efficiency of transportation and logistics. Specific reference was made to the capabilities of each country’s ports, airports, railways, roads and other transport infrastructure.

<table>
<thead>
<tr>
<th></th>
<th>Trade and logistics</th>
<th>Transport infrastructure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Algeria</td>
<td>Strong improvement expected</td>
<td>Strong improvement expected</td>
</tr>
<tr>
<td>Angola</td>
<td>Some improvement expected</td>
<td>Some improvement expected</td>
</tr>
<tr>
<td>DRC</td>
<td>Stagnation/marginal change expected</td>
<td>Stagnation/marginal change expected</td>
</tr>
<tr>
<td>Egypt</td>
<td>Strong improvement expected</td>
<td>Strong improvement expected</td>
</tr>
<tr>
<td>Ghana</td>
<td>Some improvement expected</td>
<td>Some improvement expected</td>
</tr>
<tr>
<td>Kenya</td>
<td>Strong improvement expected</td>
<td>Strong improvement expected</td>
</tr>
<tr>
<td>Mozambique</td>
<td>Strong improvement expected</td>
<td>Strong improvement expected</td>
</tr>
<tr>
<td>Nigeria</td>
<td>Some improvement expected</td>
<td>Some improvement expected</td>
</tr>
<tr>
<td>South Africa</td>
<td>Strong improvement expected</td>
<td>Strong improvement expected</td>
</tr>
<tr>
<td>Tanzania</td>
<td>Some improvement expected</td>
<td>Some improvement expected</td>
</tr>
</tbody>
</table>
Building the future of Africa will involve significant collaboration and support from global business communities. The influence of government policy and legislation on the decision to invest will increase, while local partnerships will become increasingly important.

Political risk is widely regarded as a constraint to investment into developing countries in Africa. The 2014 Fragile States Index puts five African countries on high alert, while Botswana and South Africa have the most favourable rankings in Africa. Research shows a direct relationship between political stability and inflows of FDI, and with improvements in stability, FDI into Africa has increased by 5% to US$50 billion over the past 15 years.

The perceived difficulty of doing business in Africa is a key challenge that the continent must overcome in order to encourage greater levels of investment. In the World Bank’s Ease of Doing Business rankings, 40 of the 60 lowest-ranked countries are found in Africa, while only four (Mauritius, South Africa, Rwanda and Tunisia) rank among the 60 highest-ranked countries. However, the report noted that sub-Saharan Africa has done more to improve regulation than any other region. Of the top ten improving countries globally, five are from Africa. The business outlook is normally better in countries that have strong natural resources wealth and ‘open-for-business’ policies.

Respondents to PwC’s 2014 Africa Business Agenda report noted the following key challenges facing Africa:

Seven key challenges facing Africa:

- Building hard infrastructure such as transport, energy and telecoms (especially high-speed internet);
- Building soft infrastructure like education and financial systems;
- Making the business environment more investor-friendly, including through lower tax pressure, higher administrative efficiency and reduced policy uncertainty;
- Improving transparency at all levels;
- Facilitating pan-African operations, including international trade and workforce mobility;
- Providing the required regulation to enable a fair and competitive environment; and
- Reducing complexity, as there is no such thing as one Africa, but numerous market niches.
The relationship between real estate and the economy

A property market that expands and grows in sophistication is usually associated with various other indicators that are favoured by economic policymakers. Firstly, it is a sign of faith in the general level of socio-economic stability, as it attracts investment by the private sector and individuals that could otherwise have been channelled to lower-risk alternatives (such as bonds or blue-chip equities). Secondly, property market expansion is associated with the development of basic infrastructure, such as roads, water and electricity. To the extent that government facilitates the expansion of such infrastructure, a range of economic activities underpinning residential construction activity complements increased output in economic sectors that collectively exhibit a low level of import propensity. The result is economic growth without any significant balance of payments compromise – also referred to as inward industrialisation – due to the secondary positive effect on domestic manufacturing sectors induced by increased private consumption expenditure (flowing from increased employment in construction and eventually augmented by job creation in other sectors).

Such a circular process of an enhanced construction sector output filtering through to other secondary industries broadens a developing country’s tax base, relieving pressure on output and exports in agriculture and mining to secure fiscal and balance of payments stability. A government that wishes to enhance the welfare of its citizens will utilise this tax windfall to continue stimulating the economic cycle of increased output (in relatively labour-intensive industries), job creation, higher levels of household consumption and rising tax revenues through the continued expansion and maintenance of infrastructure.

Government policy trends

A general trend across the continent is continued support from government for real estate development. The government of Nigeria made US$300 million available during 2013 to support real estate development in the country,69 Kenya’s government in collaboration with the African Development Bank raised US$10 billion to support the Konza Technology City project 70 and the Ghanaian government is considering policy reform to bolster real estate support. The South African government, in collaboration with the Development Bank of Southern Africa and the European Union, entered into a joint initiative to raise US$130 million to support infrastructure development in the southern African region.71

Certain changes in government policy do not benefit the real estate market. In Zambia, for instance, the promulgated Statutory Instrument (SI) No 33 of 2012 aimed to reinforce the use of the local currency (the kwacha) by stipulating that the Zambian kwacha must be the sole legal tender for all public and private domestic transactions. Typically, investors who have financed their Zambian real estate investment developments in foreign currency (usually in US dollars) would require the rentals to be received in that currency. This resulted in great concern for foreign investors. The World Bank confirmed that Zambia revoked SI No 33 after the large budget overrun of 2013 saying that the country valued the private sector input on important policy changes.
Property rights

The protection of property rights by government is also a key concern for real estate investors. Of the 23 countries within Africa that were assessed by the Property Rights Alliance for the International Property Rights Index 2014, South Africa ranks highest in Africa (26th globally) in respect of institutional property rights, followed by Botswana and Mauritius (joint 31st). Burundi got the lowest scoring in Africa (95th globally), while Nigeria got the next lowest scoring (94th globally). A variety of local factors also impact on interests in land, for example government land ownership or tribal land rights.

Trade agreements

One of the most important factors in Africa’s future development will be increasing cross-border trade, both within Africa and with the rest of the world. According to PwC’s report *Africa gearing up*, only about 11% of Africa’s trade is with other African trading partners, compared to Asia, where half of the trade is between countries in the region. There has been progress in drafting trade agreements to help overcome regulatory obstacles and stimulate cross-border trade on the African continent.

<table>
<thead>
<tr>
<th>Trade agreement</th>
<th>Member states</th>
</tr>
</thead>
<tbody>
<tr>
<td>COMESA</td>
<td>Common Market for Eastern and Southern Africa</td>
</tr>
<tr>
<td></td>
<td>19 East and Southern African states, including DRC, Egypt and Kenya</td>
</tr>
<tr>
<td>EAC</td>
<td>East African Community</td>
</tr>
<tr>
<td></td>
<td>5 East African states, including Kenya and Tanzania</td>
</tr>
<tr>
<td>SADC</td>
<td>Southern African Development Community</td>
</tr>
<tr>
<td></td>
<td>15 Southern African state, including Angola, DRC, Mozambique, South Africa and Tanzania</td>
</tr>
<tr>
<td>AFTZ</td>
<td>African Free Trade Zone</td>
</tr>
<tr>
<td></td>
<td>COMESA, SADC and EAC members</td>
</tr>
<tr>
<td>ECOWAS</td>
<td>Economic Community of West African States</td>
</tr>
<tr>
<td></td>
<td>15 West African states, including Ghana, Nigeria</td>
</tr>
<tr>
<td>ECCAS</td>
<td>Economic Community of Central African States</td>
</tr>
<tr>
<td></td>
<td>10 Central African states, including Angola and DRC</td>
</tr>
<tr>
<td>IGAD</td>
<td>Intergovernmental Authority on Development</td>
</tr>
<tr>
<td></td>
<td>8 East-African countries, including Kenya</td>
</tr>
<tr>
<td>AMU</td>
<td>Arab Maghreb Union</td>
</tr>
<tr>
<td></td>
<td>5 North African states, including Algeria</td>
</tr>
</tbody>
</table>

*Source: Websites of listed trade agreements*

The trade agreements aim to promote co-operation on economic, political and security issues and ultimately to make free cross-border trade possible.
Foreign government initiatives and legislation are crucial for investment and growth in Africa. For example, the Doing Business in Africa Campaign is an initiative of the government of the United States of America (US) to strengthen its commercial relationships with the continent of Africa. On 5 August 2014, an additional US$7 billion in new financing was approved for investment in Africa. In addition to this, US-based companies also announced new deals in clean energy, aviation, banking and construction worth more than US$14 billion. Together with the Power Africa initiative to the value of US$12 billion, the new commitments amount to more than US$33 billion to support economic growth in Africa.73 In terms of Africa’s export markets, the US African Growth and Opportunity Act (AGOA) provides preferential quota and duty free access to the US market for about 6500 African products.74 The renewal of this legislation, which is due to expire in September 2015, is seen as critical for the ongoing development of African manufacturing.

Tax structures
The introduction of special economic and industrial development zones (IDZs) aimed at stimulating trade in specific geographic regions has increased demand for commercial real estate in these areas. Thirty countries or over 60%, within Africa, have some sort of special economic zones. Over 80% of these economic zones were created in the past two decades.75 For example, South Africa has five established IDZs,76 while Zambia currently has six multi-facility economic zones (MFEZs).77

Government support can also be seen in the introduction of certain tax reforms aimed at facilitating trade and investment in real estate. For example, the Real Estate Investment Trust (REIT) tax regime is expanding in Africa, which will benefit investors, provide easier access to capital and boost liquidity. South Africa introduced REIT legislation in 2013 and 33 REITs are currently listed on the stock exchange in Johannesburg.78 Nigeria, Kenya, Tanzania, Zambia and Ghana have also established REIT frameworks to encourage investment in real estate.

New commitments amount to more than US$33 billion to support economic growth in Africa.73

Local partnerships
Despite the improvements in government policy and legal structures, many countries in Africa remain difficult environments to invest in, as demonstrated by their poor overall position in the World Bank’s Ease of Doing Business rankings. Many countries also have certain economic empowerment, local content or partnership conditions for FDI. These rules may be very restrictive, as in Zimbabwe, or simply complex to navigate, such as in South Africa. In certain countries governments’ legislation is aimed at specific sectors, predominantly oil and gas.

Therefore, when deciding to invest in Africa, it is important that investors explore the potential for local partnerships. Not only may this be required by legislation, but such a partnership could also bring local expertise to help identify and overcome difficulties in doing business in the local real estate market. Partners can also help highlight potential changes in government policy, allowing foreign investors with a limited local presence to make informed decisions on future real estate investments.

PwC research indicates that 23% of global asset management CEOs reported partnering with suppliers. In fast-growing regions such as Africa, partnering with local construction and development companies is seen as an important way to develop properties.
Established stock exchange, pension fund regime and developed banking sector

A liquid stock exchange and an established pension fund regime are important considerations for real estate investors, as they provide a possible ‘exit strategy’.

While many of the African exchanges require further development in order to be internationally competitive, progress has been made in a number of areas. The liquidity of African stock exchanges is similar to that of exchanges in India, Russia, Mexico or Indonesia, but Africa still accounts for less than 1% of the world’s stock market capitalisation. In South Africa, the market capitalisation of real estate companies has grown over ten times, to over US$30 billion, over the past decade. Over US$500 million in new real estate funds were listed on African stock exchanges in the 12 months to September 2014 and more than twice the number of projects were in the development phase in the same period compared to 2012.

PwC’s report *Asset Management 2020: A Brave New World* estimates that global alternative investments, including real estate, will grow by 9.3% per year to reach US$13 trillion by 2020. This will mainly be driven by high net worth individuals (HNWI), SWFs and pension funds.

PwC’s research indicates that private capital and pension fund investments will play a critical role in funding the growing and changing need for real estate and supporting infrastructure. Global pension fund assets are expected to increase from US$33.9 trillion in 2012 to US$56.5 trillion by 2020. Private real estate capital will become an important partner of governments. Trends show that institutional investors are raising allocations to real estate assets.

Many African countries are implementing pension fund reforms. Nigeria’s pension fund assets grew from US$8.67 billion in 2009 to nearly US$30 billion in 2014, and is expected to triple its assets over the next three years to US$70 billion. Namibia’s pension fund assets are 80% and Botswana’s 40% of their countries’ respective GDPs. Kenya’s targeted savings rate of 25% of GDP is well within reach with current savings levels of 13%. These funds can play an important role in financing real estate and infrastructure development.

Regulations of the pension fund regimes are changing by increasing alternative asset class limits to support Africa’s growth strategy. Nigeria currently allows 15% of pension fund assets to be invested in real estate, which is set to grow as the pension fund industry is growing 30% annually.

Banks provide financial infrastructure for real estate development. The top banks in sub-saharan Africa are dominated by the Big Four South African financial giants, with total assets worth US$456 billion. In the case of Standard Bank, the firm is targeting 25% of revenue to be derived from African countries outside South Africa by 2017. The Big Four banks in South Africa are well regulated and have created the financial infrastructure to support development in Africa.
Sources of funding
Demand for real estate will be driven not only by private capital and pension funds, but also by DFIs, private equity and SWFs looking for higher returns. FDIs into Africa was around US$55 billion in 2014, down 3% from 2013. This decrease was largely driven by reduced investment into North Africa.89

Development finance institutions
DFIs and multilateral development banks have provided a significant portion of the capital required for real estate development historically, but the situation is now changing. International and African pension funds, SWFs and African private equity and real estate funds are becoming major players in the sub-Saharan region. New emerging market investors such as regional and Chinese investors have been bringing liquidity to the continent.

DFIs require recipients of funding and the developers to implement and maintain good environmental, social and corporate governance principles as well as to comply with international anti-bribery legislation. One of the benefits of these requirements associated with most DFIs is the fact that it is generally easier to on-sell an African development company, as buyers in the real estate industry look for well managed companies in order to reduce the perceived risk of doing business in Africa. The creation of these high-value stocks creates a healthy secondary exit market, making it easier for investors to sell their developments.

The private equity landscape
Only 1% of total global private equity funding is invested in Africa. However, sub-Saharan Africa has seen a surge in investor interest. In the first three quarters of 2014, sub-Saharan Africa attracted US$1.4 billion in private equity investment and US$3 billion in fundraising.90 Research indicates that private equity professionals believe that the market is now entering a new level of maturity. The graph below shows the fundraising and investment in sub-Saharan Africa from 2010 to the third quarter of 2014. This reflects the huge demand for investable assets in Africa and could impact prices.

FDIs into Africa was around US$55 billion in 2014

In the first three quarters of 2014, sub-Saharan Africa attracted US$1.4 billion in private equity investment and US$3 billion in fundraising.90
Private equity funds also look to attract institutional investors and traditionally offer higher returns. Previously, investors in Africa were predominantly South African, but investors seeking to invest on the continent are now more global.

One of the main reasons cited by potential investors for investing in Africa is as a result of high rentals – for example, a monthly rate of between US$25 to US$30/m² for high-end office blocks in cities like Rwanda’s capital Kigali or Ghana’s capital Accra, compared with below US$20 in Johannesburg, South Africa.91

Forecasts of a 20% net annual return92 from investing in shopping malls, office blocks or industrial complexes in countries such as Zambia and Kenya are drawing in new investors.

Private funds are also beginning to respond to market demand in the low-cost residential sector. For example, International Housing Solutions (IHS) is a global private equity firm focussing on the development of residential housing. By September 2014 IHS had raised US$136 million for its new Fund II to be invested in new single-family homes, multi-family and student housing in South Africa. The fund will also be actively looking at projects in other countries, including Ghana, Zambia, Botswana, Namibia and Mauritius.93

**Sovereign wealth funds**

With high annual returns and increases in regional stability, the market has become open to investment from SWFs seeking diversity in their investment portfolios.

SWFs are an important factor in economic development in emerging markets as they are considered asset managers with an investment objective of seeking strong, stable financial returns. With SWFs having a long-term investment horizon, a significant portion of their money is invested in infrastructure projects. With the infrastructure gap noted in Africa, both foreign and local SWFs are increasing their investment footprint on the continent.

The majority of the African SWFs are commodities-based, as they are established by resource-rich countries. Oil is the main source for the creation of SWFs, and an estimated 58% of SWF assets worldwide are derived from oil and gas revenues.94 As of the third quarter of 2014, the following assets were held by SWFs in Africa:

<table>
<thead>
<tr>
<th>Country</th>
<th>Assets (US$ billions)</th>
<th>Origin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Algeria</td>
<td>77.5</td>
<td>Oil and gas</td>
</tr>
<tr>
<td>Libya</td>
<td>66.0</td>
<td>Oil</td>
</tr>
<tr>
<td>Botswana</td>
<td>6.9</td>
<td>Diamonds and other minerals</td>
</tr>
<tr>
<td>Angola</td>
<td>5.0</td>
<td>Oil</td>
</tr>
<tr>
<td>Nigeria</td>
<td>1.5</td>
<td>Oil</td>
</tr>
<tr>
<td>Senegal</td>
<td>1.0</td>
<td>Non-commodity</td>
</tr>
<tr>
<td>Gabon</td>
<td>0.4</td>
<td>Oil</td>
</tr>
<tr>
<td>Mauritania</td>
<td>0.3</td>
<td>Oil and gas</td>
</tr>
<tr>
<td>Equatorial Guinea</td>
<td>0.1</td>
<td>Oil</td>
</tr>
<tr>
<td>Ghana</td>
<td>0.1</td>
<td>Oil</td>
</tr>
</tbody>
</table>

*Source: SWF Institute – Fund Rankings*95
In addition to these existing funds, other countries are actively seeking to set up SWFs. For example, Kenya plans to establish a SWF mandate which includes infrastructure development to invest proceeds from recent oil and gas discoveries.

African countries’ SWFs often invest on the African continent and fund infrastructure developments and investments within Africa. A recent survey by Preqin showed that 54% of all African SWFs invest in real estate, and these funds are increasingly competing for prime assets. Demand for real estate also comes from foreign SWFs that invest directly in Africa, such as the China-Africa Development Fund with its focus on industrial and infrastructure investment.

With interest from a range of investor classes and continued high returns, competition for prime real estate and infrastructure assets will increase. Developers and investors will find it easier to raise capital in the markets as the local financial apparatus develops. For those investors with ready access to capital, prime commercial developments will be in high demand. Investors may also explore new or previously underfunded areas of the real estate market in search of returns as competition for prime real estate intensifies.
The impact of the rise in technology is being felt across Africa. Almost 70% of Africa’s population now have a mobile subscription, and there are an estimated 800 million mobile phones in Africa, significant for a continent with one billion inhabitants. The International Telecommunication Union’s 2014 figures note that 20% of the African population were online by the end of 2014 – up 10% from 2010 and 396% from a decade ago.

Technology will also alter the face of real estate by creating demand for virtual environments such as websites or other online services such as online shopping, games or video-streaming services. Nigeria’s e-commerce market alone generates US$2 million worth of transactions per week. It is expected that online transactions will exceed US$6 billion by the end of 2014 – significant if you take into account that only 40% of the population currently has access to the internet. Some services traditionally delivered in a retail setting are also moving online. A recent article by the Harvard Business Review estimates more people have mobile banking accounts than traditional bank accounts in nine countries on the continent – more than double compared to 2012.

Responding to the rise of technology globally, some African countries established themselves as technology hubs, with Kenya at the forefront. Konza Technology City, a US$10 billion real estate project marketed by the Kenyan government’s ICT board, is directly modelled on California’s Silicon Valley and is designed to include a technology park, university campus, science park and central business district. Similar developments across Africa hold opportunities for developers to secure new tenants in growth industries by providing high-grade accommodation while offering attractive returns for investors.

Across Africa, consumer demand for online shopping is less mature than in more developed regions. Based on PwC’s report, Achieving Total Retail, 25% of South African shoppers reported that it had been less than one year since their first online purchase. The category of consumer electronics and computers reflected the most online sales at 55%, closely followed by clothing and footwear at 54%. The home improvement category came in last at 17%.

PwC’s Real Estate 2020: Building the future projects that entire retail chains will disappear from the high streets of Western countries in sectors such as video and music, as the majority of goods will be bought online. However, in Africa traditional shopping cultures, a lack of distribution networks and poor infrastructure mean it will take longer for the full impact of online retail to be seen in the real estate market.

The impact of technology on the African continent should not be discounted as it has the potential to have a significant impact on the real estate market. Physical real estate will be required to service this huge growth area across Africa. Expanding local technology companies and new international market entrants will require office space with high levels of connectivity, as well as support services such as server banks. However, technology also has the power to disrupt real estate markets. For example, demand for and use of retail premises may change as consumers shift to making purchases online, while improved connectivity will help companies and other organisations (e.g. higher education providers) to deliver services to consumers remotely, removing the need for a permanent real estate presence where security, cost or operational concerns exist.
Sustainability will become entrenched in building design and occupier requirements, with Africa’s most ambitious countries changing city design and building practices.

It is estimated that cities contribute 70% of the world’s energy-related greenhouse gases while occupying just 2% of its land.102 The locations of cities, often in low-elevation coastal zones, make them particularly vulnerable to impacts of climate change such as rising sea levels. The urbanisation of African countries increases the pressure to make buildings more eco-efficient. It is anticipated that by 2020 the more progressive African real estate markets will move towards implementing a sustainability rating system.

According to Horizon Capital Commercial Property’s commercial property investment update for 2014, more and more developers and large corporate tenants are insisting on green buildings due to clear operational and economic benefits as well as benefiting the corporate’s bottom line. According to the Investment Property Databank’s (IPD) 2014 annual green property indicator for South Africa, green buildings achieved a total return of 15.9% on average, while other buildings achieved only 14.2%.

The World Green Building Trends report indicates that South Africa has the biggest share of green buildings on the continent. It is expected that in 2015, 60% of all new commercial developments globally will be green developments. South Africa is one of the few countries with a high reported level of green activity in the residential sector, and 36% of developers report planned green activity for low-rise residential projects. This is most likely a result of the power infrastructure challenges the country is facing. This is expected to continue to drive sustainable solutions.

Although sustainable building practices are less prevalent in Africa than in the developed world, property developers in Africa are already integrating sustainability criteria into prime office buildings, new cities and individual homes. New eco-cities such as Eko-Atlantic in Nigeria and Eco-City in South Africa, both mixed-use real estate developments, aim to have near-zero waste and carbon emissions. Green office buildings incorporate renewable energy technologies, waste reduction and greater use of natural light to improve economic, social and environmental performance.

For real estate investors, the move towards greater sustainability in building designs presents opportunities and risks. If the pressure to increase a building’s eco-efficiency mounts at a faster rate than the market currently expects, then many buildings could suffer a large ‘brown discount’ as opposed to a ‘green premium’.

One Airport Square (Ghana)

One Airport Square is considered to be the number one corporate address in Accra. It is a pristine example of a sustainable building. The building includes a number of green initiatives:

- Concrete overhangs shade the glass façade reducing thermal gain,
- Rainwater is harvested, and
- Parts of the building are naturally ventilated through the central atrium.

One Airport Square may be considered as the first green space in Ghana able to achieve higher rentals.
Developers may also be forced into pursuing sustainable design and building practices as a result of environmental, geographical and infrastructure factors. Africa’s climate is varied, ranging from tropical rainforests to deserts. Each type of environment presents challenges for modern building design and sustainable practices can contribute to the management of these various extremes without relying on climate control and air conditioning systems, which are both expensive to run and often inefficient.

A lack of reliable infrastructure, in particular power and water, are also helping to drive sustainable building practices. Developments are being built to be low consumers, with some pursuing on-site production options. Rainwater harvesting and renewable sources of electricity such as photovoltaics (PV) are of particular interest to occupiers seeking to mitigate the risk of unreliable services from national providers.

These factors, together with the expansion of interest in sustainable communities and an integrated place-making approach to sustainability, will over time become more prevalent in Africa, starting with the most progressive real estate markets.
Section 3

Country analysis

An overview

Smart investing in Africa means you’ll need to understand key regions and local markets. Africa is not just huge, it is hugely diverse. From 2001 to 2014, six of the world’s ten fastest-growing economies were in sub-Saharan Africa. This high growth is in part due to the discovery and ongoing exploitation of natural resources: top-ranking Angola and fourth-ranking Nigeria have both benefitted significantly from oil exports. Other factors are at work too – especially increasing government stability, continued industrialisation and growth in FDIs.
Fourteen years ago, the Economist labelled Africa as the ‘Hopeless Continent’, but in 2013 the Economist published ‘Aspiring Africa’ at the same time PwC’s Economic Intelligence Unit predicted that nine African economies would join the ‘7% growth club’.

Africa could be on the brink of an economic take-off, much like China was 30 years ago.\textsuperscript{104} Foreign investment in Africa has grown more than six-fold in the last decade\textsuperscript{105} and 74% of respondents to PwC’s \textit{Global CEO survey}\textsuperscript{106} said they expect to expand their operations in Africa, while only 13% of them are currently operating on the continent. All of this creates opportunities for the real estate industry.

Africa has 54 very different countries with low connectivity between them, and there is no single answer for ‘which countries to invest in’.

Levels of development also vary enormously. While South Africa has a nearly US$400 billion economy, the Democratic Republic of Congo (DRC), despite significant mineral resources and the fourth-largest population in Africa, has an estimated GDP of less than US$18 billion.\textsuperscript{107} After rebasing its economy in 2014, Nigeria overtook South Africa as the biggest economy in Africa with a GDP of approximately US$510 billion.\textsuperscript{108}

\textbf{Africa’s demographic dividend}

To illustrate this diversity and its impact on local real estate markets, this section of the report presents profiles of the real estate markets of 10 sub-Saharan African countries. The country profiles illustrate the types of opportunities and challenges facing investors in real estate in some of Africa’s economies.

The countries included in this report are:

• Nigeria
• Kenya
• Ghana
• South Africa
• Angola
• Mozambique
• Tanzania
• Namibia
• Mauritius
• Zambia

\textbf{Per capita GDP in South Africa vs in the DRC (2013)}

\begin{center}
\begin{tabular}{|c|c|}
\hline
South Africa & $6,618 \\
DRC & $454 \\
\hline
\end{tabular}
\end{center}
The map alongside highlights the geographical location of the countries included in this report.

The definitions of the statistical indicators used in this report are set out below:

**Global Competitiveness Report**

The Global Competitive Report is published annually by the World Economic Forum. The report assesses the competitive landscape of 148 economies and provides insight into the drivers of their productivity and prosperity. A score between 1 and 7 is awarded to 12 pillars, where 7 is best. All countries are compared against South Africa, which achieved the best overall ranking on the continent.

**Income level**

The income level classification is a World Bank ranking of countries based on their gross national income (GNI). Low-income countries are defined as economies with a GNI of US$1 045 or less, middle-income countries as economies with a GNI of between US$1 045 and US$12 746 and high-income countries as economies with a GNI of more than US$12 746. Low- and middle-income countries are considered to be developing countries.

**Political stability indicator**

The indicator, calculated by the World Bank, measures the perception of the likelihood of political instability and/or politically motivated violence. The indicator ranges from -2.5 to 2.5. The worldwide average is 0 for this indicator and may be used for cross-country comparisons.

**Corruption Perception Index**

The index is calculated by Transparency International and measures perceptions of how corrupt the public sectors in different countries are seen to be. The index ranks almost 200 countries on a scale of 0 to 100, where zero indicates high levels of corruption. Developing countries tend to achieve lower scores in the index.
Country profiles

Nigeria

Key indicators

Income level\textsuperscript{109}: Lower middle income

\begin{itemize}
  \item GDP: US$522.64 billion (2014)
  \item GDP growth: 5.4% (2013)
  \item Population: 178.5 million (2014)
  \item Inflation: 8.00% (Dec 2014)\textsuperscript{111}
  \item Political stability: -2.08 (2013)
  \item Corruption Perception Index: 27 (2014)\textsuperscript{112}
\end{itemize}

Nigeria has a young urbanised population with a median age of 19.\textsuperscript{113} The United Nations (UN) projects that the country’s population will reach 440 million by 2050, becoming the third most populous country in the world. According to the World Bank, Nigeria had an annual estimated average urbanisation rate of 3.75% per year for the period 2010–2015, with a total of 47% of the country’s population currently living in urban areas.

The Nigerian real estate sector is growing faster than average GDP at a rate of 8.7% (GDP growth at 7.4%) and is now the sixth largest sector in the economy.\textsuperscript{114} This is driven by a growing middle-class driving demand for residential property development and, indirectly, retail, industrial and commercial real estate development. HNWIs invest 25% of their assets in real estate compared to 18% or less in equities and other instruments.

Continued government reforms have created an enabling environment for property development and financing. Increased allocations of funding to the asset class by local and foreign investors are also key drivers of projected growth in this sector.
However, Nigeria remains a difficult country in which to do business and was ranked 170th out of 189 countries in the World Bank’s Doing Business rankings in 2015.\textsuperscript{115} Nigeria’s score in the Global Competitiveness Report issued by the World Economic Forum is set out alongside.

The Nigerian real estate market presents substantial opportunities as well as a number of specific risks for property investors. There are existing problems with access to finance; with a lack of long-term debt financing and an underdeveloped mortgage market (mortgage loans represent less than 1% to the nation’s GDP).\textsuperscript{116}

Cumbersome and time-consuming processes for land acquisition and ownership documentation can make acquiring land difficult, while land in urban areas is expensive.\textsuperscript{117} Building materials and construction costs are also high and there is a reliance on expatriate workers resulting from a shortage of expertise in the local construction industry. Security considerations as a result of local unrest should also be factored into investment decisions.

**Infrastructure**

A dearth of infrastructure presents difficulties for potential developers, as non-availability of basic services such as water and energy has forced developers to provide these amenities, adding up to 30% to total development costs. The Nigerian Investment Promotion Commission estimates that Nigeria needs investment of US$100 billion over the next six years for projects such as roads, electricity, oil and gas, and railways. The infrastructure gaps to be filled across these sectors are significant and according to a study carried out by PwC and Oxford Economics in 2014, annual infrastructure spending is expected to increase from US$23 billion in 2013 to US$77 billion in 2025. This will form a strong foundation for economic development and the financial empowerment of Nigerians, which will in turn increase the demand for real estate in the country. This will range from the existing gap in supply in the residential market to increased demand for retail, commercial and industrial real estate development projects.

**Residential sector**

The residential real estate market is driven by the growing population in Nigeria, as well as the increasing rural-urban migration, strong economic growth and a growing middle class. It is estimated that Nigeria has a housing deficit of 17 million houses estimated at US$363 billion. This number is expected to increase by two million houses per year\textsuperscript{118} at the current population growth of 2.8% per year.\textsuperscript{119}

The World Bank estimates that 44,000 mortgages were granted in Nigeria between 2004 and 2010, with an average size of US$31,500, amounting to a ratio of home loans to GDP of 0.6%. Interest charges on prime mortgage rates among commercial banks ranged between 4 and 5%.

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**Global competitiveness report**

This image shows the Global Competitiveness Report, with scores for various factors affecting a country’s competitiveness. The chart compares South Africa and Nigeria, indicating areas where Nigeria could improve, such as in infrastructure, financial market development, and health and primary education.

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**Nigeria needs investment of US$100 billion over the next six years for projects such as roads, electricity, oil and gas, and railways**

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**Annual infrastructure spending is expected to increase from US$23 billion in 2013 to US$77 billion in 2025**

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It is estimated that there is 1m² of retail space per 1 000 people in Nigeria, compared to South Africa’s 480m² retail space per 1 000 people.124

15% and 25% with maximum mortgage rates being between 16% and 30% which, when combined with equity requirements of 10% to 20%, heavily restricts market access for low- and middle-income families.120 Lagos is considered to be Africa’s second most expensive property market.121

The Nigerian government established the Nigeria Mortgage Refinance Company (NMRC) to encourage and promote home ownership in Nigeria by providing financial facilities to mortgage providers, thereby improving the availability and affordability of mortgage loans to Nigerians. Financing for the scheme would be a joint initiative between the Central Bank of Nigeria and the private sector. The World Bank’s International Development Association (IDA) is providing a 40-year, zero interest loan of US$300 million to assist the scheme.122 The initial funding will be utilised as Tier 2 capital while Tier 1 capital will come in the form of equity contributions from the Ministry of Finance, the Nigerian Sovereign Investment Authority, banks and DFIs.

Retail sector
Nigeria’s retail development is driven by the large growing consumer class. It is expected that 160 million Nigerians could live in households with sufficient income for discretionary spending. This equates to more than the current populations of Germany and France combined.123 It is estimated that there is 1m² of retail space per 1 000 people in Nigeria, compared to South Africa’s 480m² retail space per 1 000 people.124 This translates into significant opportunities, given the current population of 170 million people. Numerous malls, such as The Palms Mall and Ikeja City Mall, have opened since 2011, but even the recent boom in retail space might not meet Nigeria’s rapidly growing demand. Plans are already in the pipeline to spend US$3.5 billion on 25 destination malls in Nigeria.

Commercial sector
The Nigerian commercial real estate market is driven by an influx of institutional, foreign and private business into Nigeria as well as the growth of local established businesses and multi-national oil companies across the cities of Lagos, Abuja and Port Harcourt.

The availability of office space is improving and several A-grade projects are underway. Rental figures in Lagos remain among the highest in the world, with achievable rents at more than US$85/m² per month.125 The office sector will be stimulated by several projects such as the Wings project in Lagos and World Trade Centre...
in Abuja. The World Trade Centre project is a mixed-use eight-tower complex development that will feature AAA office towers, luxury residences and up-scale shopping. The development, at an estimated total cost of US$26 billion, will also include 40,000m² of retail space and 400 upscale suites. The planned Wings project by Oando PLC is a set of identical 15-storey glass towers, which secured long-term financing of US$182 million from RMB Westport and Stanbic IBTC.

**Industrial sector**

The industrial real estate market also contributed to the growth of the total real estate market in Nigeria with the expansion of industrial activities. The country currently has about 25 approved free zones (schemes set up to strategically improve the investment climate by stimulating export oriented business activities), although less than half of these are operational.

The growth in the Nigerian middle class population and retail activity are driving demand for warehousing units as well as infrastructure-enabled industrial clusters and free zones. This can be attributed to manufacturers and suppliers seeking premises from which to meet growing consumer demand.

**Real estate finance**

Financing real estate in Nigeria takes different forms and innovative partnership approaches have been undertaken in the different subsectors. While the sector is very fragmented, the retail, office and luxury residential sectors have some large players, including private equity firms and the few well known developers supported by local and foreign banks. The non-luxury residential sector has limited access to finance and employs different financing models such as land swaps, flexible instalment payments and off-plan sales in the absence of a robust mortgage sector. Efforts are underway to improve the mortgage situation with initiatives such as the NMRC, support from National Housing Fund and Federal Mortgage Bank of Nigeria.

**Government support**

REITs are being promoted by the Nigerian Stock Exchange (NSE) so that investor funds can be pooled to develop much-needed real estate assets and also provide mortgages. The REIT structure was introduced in Nigeria in 2007 and three types of REITs currently exist – equity REITs, mortgage REITs and hybrid REITs. Some of the REITs currently in Nigeria are: Union Homes PLC, Sun Trust Hybrid, UPDC and Skye Shelter Fund.

The Skye Shelter Fund REIT and Union Homes Hybrid Real Estate Investment Trust were launched in 2007 and 2008 respectively. Union Homes Hybrid REIT had a market capitalisation in January 2015 of US$ 60 million, whilst Skye Shelter Fund REIT had a market capitalisation of US$ 10.6 million.

**Eko Atlantic**

Near Lagos, the government of Nigeria is busy with an urban renewal exercise. A local construction company, South Energyx Nigeria Limited, is building the new city on land reclaimed from the Atlantic Ocean.

The city known as Eko Atlantic, a prime mixed-use property development consisting of 10 districts, will become home to 250,000 residents while another 150,000 will be commuting to the new offices being developed. Residential and office plots overlooking the ocean will sell at US$1,500/m². The supporting infrastructure is currently under construction, with the first office building due for completion in early 2016. The development will also be self-sufficient in terms of power and energy supply.

[Design Concept courtesy of EkoAtlantic.com]
Kenya has one of the most varied ethnic populations in the world, with more than 70 distinct ethnic groups. Kenya is sparsely populated with 79.2 people per km², making it the 140th most densely populated country in the world. According to the World Factbook, 42.3% of Kenya’s population are aged between 0 and 14, with only 2.6% aged over 65 years. The average life expectancy in 2010 was 57.9 years but this has increased in recent years. According to the United Nations, it is predicted that Kenya will have a population of 52.3 million by 2020. Kenya had an urban population of 24% in 2011, but this percentage is growing fast with an annual urbanisation rate of 4.36% per annum for the period 2010 to 2015.

Kenya has a strategic location in East Africa, and many companies looking to expand in this region are looking at Kenya as a market entry point. With its relatively stable political and economic environment, Kenya is seen as one of the easier East and Central African countries in which to do business.

The UK and Europe have traditionally been Kenya’s biggest trading partners. The recent slowdown in growth in European economies has translated into a large trade and budget deficit for the country. This may be offset in future by strong regional growth, as Kenya’s trade with the Common Market for Eastern and Southern Africa (COMESA) now outstrips that with the European Union. Half of Kenya’s exports are now to African countries.

**Key indicators**

<table>
<thead>
<tr>
<th>Income level:</th>
<th>Lower income</th>
</tr>
</thead>
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<tr>
<td>GDP:</td>
<td>US$55.24 billion (2013)</td>
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<td>GDP growth:</td>
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<td>Population:</td>
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<tr>
<td>Inflation:</td>
<td>6.02% (Dec. 2014)</td>
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<tr>
<td>Political stability:</td>
<td>-1.15 (2013)</td>
</tr>
<tr>
<td>Corruption Perception Index:</td>
<td>25 (2014)</td>
</tr>
</tbody>
</table>

**Infrastructure**

One major risk facing Kenya is its energy infrastructure, as the supply of power lags significantly behind current demand. However, while Kenya ranks poorly when compared with global energy benchmarks, it performs above average when compared to its African peers. The situation is set to improve as Kenya plans to spend US$1.4 billion on new geothermal power plants with a total generation capacity of 280MW.

Investments have been made in the new Nairobi-Thika superhighway. The time taken to travel between Nairobi and Thika has been reduced from 2–3 hours to 30–45 minutes. Plans are underway to improve road connections with Mombasa to help handle growing freight traffic which is financed by a Japanese Official Development Assistance (ODA) loan. Loans have also been secured from China, now Kenya’s second-biggest lender after Japan, to support railway and power development projects.

**Residential sector**

The growth in Kenya’s middle class has led to an increase in demand for residential real estate, and the speed of urban population growth currently exceeds the rate of development of new houses. Kenya’s state-run National Housing Corporation estimates the current housing shortage at 2 million units. Current production of new houses is estimated at 30 000 units per year.

Kenya’s government is currently looking to the private sector to address the housing deficit and in 2012, the government introduced new regulations to allow PPPs to be used to develop new housing projects. Three PPP housing projects for public servants totalling 76 000 units are currently in the development pipeline.

In the private residential market, urban developers in Kenya are currently adopting a ‘high density’ approach to scheme design – such as apartments – and a bigger plot ratio in order to make optimal use of available land.

**Retail sector**

The outlook for the retail sector is strong and Kenya is starting to be seen as an ideal point of entry for launching retail outlets and consumer goods distribution into East and Central Africa. The improved infrastructure facilitates the movement of goods and means a wider variety is available at lower prices.

Kenya has a growing local market with a consumer base whose wealth is increasing. Only about 16.8% of the population currently falls into the middle class, but this is growing fast.

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**Global competitiveness report**

![Global Competitiveness Report Diagram](image-url)

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**The National Housing Corporation estimates the current housing shortage at 2 million units. Current production of new houses is estimated at 30 000 units per year.**
Nakumatt
Local supermarket chain
Nakumatt’s ‘blue label’ packaged food line is rapidly gaining market share. Nakumatt has ample opportunity for expansion in the rest of the East African Community, including Uganda, Tanzania, Rwanda and Burundi. Fragile and conflict-prone countries in which consumer demand is rapidly rising and consumer goods are in short supply, like South Sudan and Somalia, are also accessible due to strong historical trade links.

Kenya’s ‘Vision 2030’ includes plans to improve the efficiency of the retail market and further increase potential investment opportunities. Malls are already surpassing office space in profitability.

According to an article published in the Economist, certain challenges prevail in the retail market. Retail sales are dominated by the informal sector (80%). Nakumatt, the country’s largest retailer, has only a 2% market share. Foreigners seeking a foothold in the market have to be concerned about several barriers. Regional trade policies also work against foreign retailers that seek to rely on imports. Preferential tariffs on goods coming from the Common Market for Eastern and Southern Africa or the East African Community, as well as government protection of local producers of red meat, dairy products and eggs, mean that imported food products from further afield often struggle to be competitive.

Commercial sector
Kenya’s office sector is becoming saturated. It is expected that office supply will exceed demand by 2016. The current average rent for office space is approximately US$20/m² per month. This rental may begin to fall as property owners begin to compete for tenants.

Government support
The government has big plans and Kenya’s ‘Vision 2030’ provides a blueprint for future development. Some initial success has already been achieved with institutional and business reforms, which has improved the business environment. The government’s trade strategy looks to encourage greater exports of processed goods, so there is potential for growth in the manufacturing sector.

Kenya has flexible labour regulations and investment laws that allow foreign investors to receive the same treatment as local investors. Kenya’s financial sector is considered the most developed in East and Central Africa, which facilitates access to debt and capital market funding. However, Kenya has a fairly restrictive tax regime. The total tax rate payable by business is 44.4% and this includes a profit tax of 28.1%.

While the REIT structure was introduced in Kenya in 2013, there are currently no active REITs in the Kenyan market. A number of industry players are in the process of seeking approval from the Capital Markets Authority (CMA) for the purpose of listing REITs. The CMA has approved and licensed five REIT Managers; Stanlib Kenya Limited, Fusion Investment Management Limited, CIC Asset Management Limited, Centum Asset Managers Limited and UAP Investments Limited.

The total tax rate payable by business is **44.4%** and this includes a profit tax of **28.1%**.

Key industry forecast

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<th>2014</th>
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<th>2016</th>
<th>2017</th>
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<td>Percentage urban population %</td>
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<td>25.6</td>
<td>26.1</td>
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<tr>
<td>Construction industry value, US$bn</td>
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<td>2.9</td>
<td>3.3</td>
<td>3.7</td>
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<tr>
<td>Construction industry value real growth rate %</td>
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<td>Construction industry value as % of GDP</td>
<td>4.5</td>
<td>4.5</td>
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<td>4.6</td>
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</table>

Source: Business Monitor International (BMI); World Bank
**Ghana**

**Key indicators**

<table>
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<th>Indicator</th>
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<tr>
<td>Income level</td>
<td>Lower middle income</td>
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<td>Inflation</td>
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<tr>
<td>Corruption Perception Index</td>
<td>48 (2014)</td>
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</table>

Ghana’s land mass is almost the same as that of the United Kingdom, but with a population of 26 million it has less than 50% of the number of people. Ghana’s population growth is 2.2% per year. Of Ghana’s total population, 51.9% live in urban areas and this number is growing fast, with an average urbanisation rate of 3.5% per annum.

Ghana is considered to have one of Africa’s most stable governments and was ranked 70th out of 189 countries in the World Bank’s Ease of Doing Business rankings in 2015. Ghana’s investor attractiveness is buoyed by abundant natural resources, an advanced banking system, economic liberalism and a relatively diverse economy. FDI inflows have flourished in recent years, especially since the commercialisation of oil began in 2007.
Ghana’s score in the Global Competitiveness Report issued by the World Economic Forum is set out alongside.

**Infrastructure**

Ghana’s most pressing challenge is the power sector, with the lack of reliable energy being a major constraint to economic growth and continued real estate investment. The government has plans to address the energy supply gap by increasing its power generation capacity to 5 000MW, from a current level of 2 000MW, within the next four years. The challenge presented by the lack of reliable power also creates investment opportunities for infrastructure development in the country.

In August 2011, the government approved a US$3 billion loan from the China Development Bank. The facility was the largest ever secured by Ghana and has been used to finance the infrastructure gap. However, Ghana only drew down half of the available funds, with the remaining US$1.5 billion being cancelled in 2014.

Some of the limiting factors with regard to Ghana’s infrastructure development relate to corruption, insufficient government spending on roads (only 1.5% of GDP compared to China’s 9%) and a balance of payments deficit of US$4.78 billion, according to the World Bank.

**Global competitiveness report**

![Global competitiveness report diagram](image)

**Residential sector**

New developments in the housing market are currently being driven by new apartment block complexes. These complexes are being funded by foreign investors from territories such as Turkey, South Africa and the Middle East, catering for increased demand that has resulted from new oil discoveries. For example, Sekondi-Takoradi, the Western regional capital, is benefiting from the effects of recent oil discoveries in the form of increased demand for residential property. Demand is driven by both foreign and local employees directly connected with oil exploration, together with members of the local economy providing goods and services to this new market. Increased residential demand has been met with high-end apartment developments funded by foreign investment.
**Retail sector**

Ghana’s Accra Mall is dominating the retail landscape in Ghana. The mall attracts nearly four million visitors per year. Further retail developments have been built to meet this high demand.

The West Hills Mall, a US$93 million investment,151 should relieve congestion at the Accra Mall, but investors project that both malls will soon be at capacity on weekends and a third mall will be required to ease this congestion. The West Hills Mall development is a joint project between Delico Property Developments, owned by South Africa’s Atterbury Africa, and Ghana’s pension fund.

The success of A&C Square in East Legon has confirmed the need for neighbourhood retail centres in Accra. Melcom Ltd and Maxmart Ltd, both local general merchant retail stores, have capitalised on this emerging demand by opening stores in almost all the major areas of Accra. Koala, a local grocery retailer, has also responded to this trend by recently opening another shop in the airport area to add to its flagship outlet in Osu. On a regional level, Kumasi and Takoradi, the next two most populous cities in Ghana, have no formal retail centres; therefore, opportunities exist for further regional developments.

According to Broll Ghana, developers will more than double the amount of retail space available in the country’s capital in the next two years. The average retail rent rose from US$60 to US$65 during 2013.152

**Commercial sector**

Prime office space in Ghana may be of interest to real estate investors. Office space rental values are up to US$35 to US$40/m² per month, with a prime yield of around 10%.153

Office demand derives from the services that support sectors such as the banking, telecommunication, professional and diplomatic or aid sectors. New office space in Accra is delivered to a ‘shell and core’ finish, although tenants may now demand fit-out as part of lease negotiation as more office developments are released to the market and competition for new tenants increases.

**Government support**

Although Ghana’s demographic profile might not be as favourable as that of some other African countries, it makes up for this by having a less restrictive business environment and progressive macroeconomic policies. Strong protection of civil liberties improves Ghana’s investment attractiveness, as does the country’s developed legal and regulatory framework.

Ghana’s labour market is efficient and the country’s laws make it relatively easy to appoint or retrench employees – although it may be quite costly once severance packages are taken into account.

Property rights, however, are poorly protected due to overall weakness in the rule of law. Setting up a company is also a lengthy process that involves numerous government departments and agencies.

The REIT tax structure has been in existence in Ghana since 1994. The HFC Real Estate Investment Trust (HFC REIT) was started by HFC in 1995. Financial information for 2013 show HFC REIT held US$8 million in net assets, of which US$1.8 million was held in land and property.
Ghana’s construction industry value and growth

<table>
<thead>
<tr>
<th>Year</th>
<th>Value (USDbn)</th>
<th>Real growth rate (%)</th>
<th>Value as % of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>5.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014f</td>
<td>4.49</td>
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<td></td>
</tr>
<tr>
<td>2015f</td>
<td>7.03</td>
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</tr>
<tr>
<td>2016f</td>
<td>5.9</td>
<td>34%</td>
<td></td>
</tr>
<tr>
<td>2017f</td>
<td>6.4</td>
<td>10.55</td>
<td></td>
</tr>
<tr>
<td>2018f</td>
<td>6.9</td>
<td>5.58</td>
<td></td>
</tr>
</tbody>
</table>

**Value as % of GDP**

**Source:** Business Monitor International (BMI)

**Meridian City Project**

The Meridian City Project is a US$120 million mixed-use development located in Ghana’s main port city, Tema. The project is the first of its kind – a privately developed commercial centre with 20,000 m² of retail space, a 10,000 m² A-grade office block and a hospitality component in the form of a three-star business hotel.

*Design Concept courtesy of Retail & Leisure International*
### Key indicators

<table>
<thead>
<tr>
<th><strong>Income level</strong></th>
<th>Upper middle income</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GDP</strong></td>
<td>US$350.6 billion (2013)</td>
</tr>
<tr>
<td><strong>GDP growth</strong></td>
<td>1.89% (2013)</td>
</tr>
<tr>
<td><strong>Population</strong></td>
<td>52.98 million (2013)</td>
</tr>
<tr>
<td><strong>Inflation</strong></td>
<td>5.80% (Dec 2014)</td>
</tr>
<tr>
<td><strong>Political stability</strong></td>
<td>0.06 (2013)</td>
</tr>
<tr>
<td><strong>Corruption Perception Index</strong></td>
<td>44 (2014)</td>
</tr>
</tbody>
</table>

The United Nations World Populations Prospects report estimates that the South African population will increase to 72.9 million by 2050. Of the current population of around 53 million, 62% live in an urban setting. This is growing at a rate of 1.21% per annum.

South Africa is seen as an attractive emerging-market alternative for investors that are concerned about economic and political turmoil in regions such as Eastern Europe. The World Economic Forum classifies South Africa as a safe investment platform for expansion into Africa with its number one ranking in auditing and reporting standards in the world.
South Africa was ranked 43rd out of 189 countries in the World Bank’s Ease of Doing Business rankings in 2015. South Africa’s score in the Global Competitiveness Report issued by the World Economic Forum is set out alongside.

**Infrastructure**

Key factors supporting the country’s position as the most developed in sub-Saharan Africa and a member of the BRICS countries are its well-developed financial, legal, communications and transport sectors, as well as an open trade policy and a comparatively strong domestic market. However, South Africa still faces the triple challenge of poverty, unemployment and income inequality. To address this, the government introduced what is called the National Development Plan (NDP).

The South African government has a budgeted expenditure of about **US$80 billion** over the next three years to boost both existing and new major infrastructure projects.\(^\text{162}\)

The government-owned power utility, is undertaking a capacity expansion programme to the value of **US$33 billion** that will add **17GW** of new generating capacity to the national grid by 2019.

The NDP offers a long-term perspective (up to 2030), sets out a desired goal and identifies the roles different sectors of society need to play in reaching that goal. The success of the Renewable Energy Independent Power Producer Plan, part of the NDP, is key to the roll-out of big projects in the US$72 billion infrastructure development plan, together with the successful completion of the two large coal power stations, Kusile and Medupi, which are currently under construction.

One of the biggest risks in the economy relates to the energy crisis that began in 2008 and re-emerged in 2014/15. Energy capacity has become the government’s priority and Eskom, the government-owned power utility, is undertaking a capacity expansion programme to the value of US$33 billion that will add 17GW of new generating capacity to the national grid by 2019. In the short term, the phased introduction of new units at Medupi (from mid-2015 onwards) may also alleviate some of the power shortages. However, until these shortages are resolved, South Africa is expected to experience regular power cuts, with a potentially significant impact on industry and residential occupiers.

The transport sector is a key contributor to South Africa’s competitiveness in global markets. The country’s transport infrastructure is modern and among the most developed in Africa, having received a substantial boost from projects associated with the 2010 FIFA World Cup.

The South African government has a budgeted expenditure of about **US$80 billion** over the next three years to boost both existing and new major infrastructure projects.\(^\text{162}\)

**Residential sector**

Due to massive urbanisation, expected to reach 70% by 2030, the housing backlog in South Africa is rising. Demand for affordable housing continues to outstrip supply for low- and middle-income families. In 2012, the housing backlog was estimated at 2.1 million units.\(^\text{163}\) By 2014, the backlog stood at 2.3 million units, a figure that is estimated to grow by 178,000 units each year.\(^\text{164}\) Since 1994, the government has been able to provide 2.68 million units.\(^\text{165}\)
Despite this demand, the residential sector is the least attractive to investors in the overall property market.166 Most forecasts suggest modest growth in the short to medium term, in line with slower economic growth and higher inflation expectations. The buy-to-let market is showing weak growth and overall yields are low.

Pressures of increased urban density will start to present regeneration opportunities, such as in areas within the Johannesburg Central Business District (CBD) where old commercial office buildings are being transformed into residential premises with varying levels of success. This regeneration in Johannesburg has begun to attract residents back to the city centre. Eighty per cent of apartment sales in the CBD were to investors five years ago, but the majority of recent sales have been for own use.167 This demand for space will lead to an increase in brownfield and in-fill developments, together with the regeneration and re-purposing of existing premises.

Retail sector

The retail sector is leading the South African property market. South Africa’s middle class, with an average disposable salary of US$1 100 per month in the formal sector, is developing fast.168 Demand for consumer goods has increased, and this demand has been met by an expanding retail sector. According to the South African Property Owners Association (SAPOA), the retail sector outperformed other sectors last year on the back of significant capital growth and stable vacancy rates.

South Africa’s retail space is reaching maturity with formal retail penetration at 65% to 70% and is likely to peak at 80%169 with the addition of Mall of Africa in the new Waterfall mixed-use development in Gauteng. Space growth is mainly driven by new developments (70%), as extensions account for only 30% of additional space.170

The high demand for prime real estate space is set to continue, with an increasing number of international retailers seeking to enter the market. Sandton City’s Diamond Walk development, a US$20 million expansion project, is set to be home to top brands such as Jimmy Choo and Salvatore Ferragamo.171

With an estimated broadband penetration of between 11% and 12% in South Africa, compared to 75% worldwide, the potential for online retail is considered a great opportunity taking into account the government’s objective to have a 100% penetration rate by 2030.172 Growth in online retail is driven by more attractive online pricing, increased fixed line and mobile broadband penetration, increased confidence in online banking and the fact that traditional retailers such as Woolworths and Pick n Pay are now providing online retailing.173

This may impact on the types of premises demanded by retailers, with an increase in storage and distribution hubs and potential cooling of demand for new retail space. However, this is likely to only impact the market in the medium to long term, as the rise of internet shopping is dependent on supporting infrastructure, changing traditional shopping habits and market access for low-income families.

Commercial sector

The office sector’s vacancy rate for Q4 2014 was 11.1%, which is high for the sector174, with recent developments increasing pressure on rent and vacancy rates for lower-grade office space.

Inner-city offices are converting to residential space, but this has limited viability. Office rental averaged between US$14.00 to US$17.00/m² per month in Johannesburg and US$10.00 to US$14.00/m² per month in Cape Town.

South Africa’s retail space is reaching maturity with formal retail penetration at 65% to 70% and is likely to peak at 80%169
Government support

South Africa has one of the most sophisticated business environments in sub-Saharan Africa and relatively well-developed government institutions. The low cost of starting a business, estimated at 0.3% of per capita income,$^{175}$ means that entrepreneurs and developers can respond quickly to developing opportunities.

The country is also acknowledged for its resilient and stable banking sector. The tax and financial regulatory climate is robust, and the tax regime is progressive. Special development zones introduced by the Department of Trade and Industry (DTI) make provision for tax concessions for infrastructure development in certain areas of the country, resulting in the formation of new industrial zones, such as Coega, Saldanha Bay and Dube Tradeport.

South Africa introduced a REIT framework in 2013, and currently 33\textsuperscript{176} REITs are listed on the Johannesburg Stock Exchange (JSE). Growthpoint, with a market capitalisation of US$5.6 billion as at January 2015, is South Africa’s largest listed REIT.\textsuperscript{177} According to the SA REIT Association, the listed property sector in South Africa has been the top performer of the four traditional asset classes over the past 15 years and has outperformed equities by 6.4% and bonds by 13.3% per year.

### Key Industry Forecast

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage Urban population %</td>
<td>64.3</td>
<td>64.8</td>
<td>65.3</td>
<td>65.8</td>
</tr>
<tr>
<td>Real estate industry value, US$bn</td>
<td>5.11</td>
<td>6.66</td>
<td>8.07</td>
<td>9.31</td>
</tr>
<tr>
<td>Real estate industry value real growth rate %</td>
<td>3.09</td>
<td>4.50</td>
<td>2.96</td>
<td>4.07</td>
</tr>
<tr>
<td>Real estate industry value as % of GDP</td>
<td>1.61</td>
<td>1.63</td>
<td>1.63</td>
<td>1.64</td>
</tr>
</tbody>
</table>

*Source: Business Monitor International (BMI); World Bank*

### Zendai

Zendai Modderfontein is believed to be the next Sandton and is set to overtake Africa’s richest square mile in the next 15 years.

The project is estimated at US$8.5 billion and is expected to have 12 million m\(^2\) of development capacity, including 100 000 homes, 6 km\(^2\) of open space and a complete transportation network with rail and express roads.  

*Design Concept courtesy of Heartland*
Angola has the third-largest economy in sub-Saharan Africa and presents opportunities with its growing middle class. The country has an urban population of 59.2% and this is growing by 3.97% annually.\(^{182}\)

Luanda, Angola’s capital, has growing middle and upper classes, making the country an attractive hub for commercial real estate investors. According to Mercer’s Cost of Living Index of 214 cities, Luanda overtook Tokyo in 2013 as the world’s most expensive city for expatriates. This is partly due to a rapid influx of oil money and partly due to a limited supply of goods as the country continues to recover from the civil war which ended in 2002. These severe supply-demand imbalances present a clear market for new real estate development.

Angola’s heavy reliance on oil exports exposes the country’s economy to fluctuations in global oil prices. Oil production and supporting activity account for 45% of GDP and 95% of the country’s export revenue. Angola is currently China’s second biggest supplier of oil behind Saudi Arabia. In the wake of recent fall in oil price, GDP growth is expected to slow. The Government revised its budget in January 2015 to reduce planned spending by US$14 billion to reflect the forecast reduction in oil revenue.\(^{183}\)
Angola was ranked 181st out of 189 countries in the World Bank's Ease of Doing Business rankings in 2015. Angola’s score in the Global Competitiveness Report issued by the World Economic Forum is set out alongside.

Infrastructure

Angola’s electricity sector is among the least efficient in Africa. A 2010 World Bank survey found that Angolan firms endured six power outages a month, lasting on average 14 hours. Businesses also reported waiting an average of seven days for a new electricity connection. The government recognised these problems and as a result, public investment as a percentage of fiscal revenue increased from 15% in 2012 to 20% in 2013, and it is anticipated that approximately US$16 billion will have been spent in the energy sector by the end of 2015.

A major obstacle for investments into industries other than oil is the poor quality of Angola’s transport infrastructure. Infrastructure was severely damaged by the 27-year-long civil war, while periodic flooding during the rainy season also takes its toll. Despite this weakness, Angola is one of very few African countries that do not face a significant infrastructure funding gap. Thanks to its large oil reserves, Angola has the financial resources to address structural issues and to rebuild the country’s shattered infrastructure, expand the economy, and modernise and better connect its cities. In the short term, however, Angola’s ability to address its infrastructure issues may be hampered by the impact of oil price fluctuations on the economy.

A key factor in infrastructure funding is Chinese investment in Angola. Thanks to the ‘infrastructure for oil’ trade agreement, Angola has become one of China’s main suppliers of oil. In turn, China has been making significant strides in changing the Angolan infrastructure landscape via the construction of large railways, roads and housing projects in areas like the city of Kilamba Kiaxi.

Global competitiveness report

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Residential sector

Luanda’s residential market is booming and a two-bedroom apartment with access to a generator, water tank and secure parking can cost between US$7 000 and US$10 000 per month. A current trend is that the middle class are looking for cheaper homes outside the city and are moving to Chinese-built housing projects such as Kilamba Kiaxi. However, much of the local infrastructure remains underdeveloped and newly built social housing estates remain vacant. The slow take-up of the properties is also blamed on their high cost, between US$120 000 and US$200 000 each, well out of reach of the average Angolan.

Retail sector

Angola’s retail market is still in its infancy, with an undersupply of modern, high-quality retail space. Increased consumer demand has led to the development of new malls with luxury occupants. The Sky Gallery, a US$50 million investment, will include high-end retailers like Prada, Armani and Gucci brands.
Some of the other recent noteworthy retail developments include Luanda Shopping, which forms part of the Comandante Gika mixed-use development in Alvalade, as well as Kinaxixi Shopping Centre in Minaxixi MDN Complex, Luanda.

**Commercial sector**

Angola’s office space is experiencing a sustained period of demand in Luanda, driven by oil companies and banks. The demand for quality office space remains high and it is estimated that rents for prime office space are as high as US$150/m² per month, contributing to Luanda having some of the highest office occupancy costs in the world.192

The government also approved laws to regulate stock and debt markets and confirmed a reduction of the income tax burden on mining companies from 35% to 25%, resulting in additional investment in the sector by De Beers.194

The government established a SWF, Fundo Soberano de Angola, in 2012 and has ring-fenced the equivalent of oil revenues from 100,000 barrels per day for priority projects and essential infrastructure. As at September 2014, the fund had total assets of US$5.5 billion.195

Given that Angola has the potential financial resources to overcome infrastructure and business environment challenges in the long run and to put itself in a strong position in the region, Angola remains a significant focus for real estate investors.

**Government support**

Angola’s business environment has not kept pace with international developments193. Together with Angola’s low position on the World Bank’s Ease of Doing Business Index, the country is placed 181st out of 189 countries for the ease of starting a business, which takes no less than 66 days.

Angola is well aware of its current business challenges and the government has carried out major reforms on regulations impacting business operations. Government reforms in Angola are also targeting the improvement of the private sector. In 2013 the government introduced a 10% consumption tax levy on oil companies, and a presidential decree was issued to reduce and eliminate the custom tax burden on imported goods used as main inputs for national production.

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**Comandante Gika**

*The biggest real estate project in Angola with 345,000 m² of construction, which makes the project one of the biggest real estate projects in Africa.*

The project includes 145,000 m² of retail space consisting of 215 shops, 1 food supplier, 6 cinemas, a health club, 2,000 parking lots, 136 apartments ranging from 260 m² to 298 m², 67,600 m² of prime office space and the five-star VIP Grand Luanda hotel.
Mozambique has a fairly young population with a median age of 16.9 years;\textsuperscript{200} 45.3\% of the population are younger than 14 years.\textsuperscript{201} With an average life expectancy of 52.6 years, only 2.9\% of the population are older than 65 years.

Of the countries considered in this report, Mozambique has the second lowest level of urbanisation, at 31.2\%. This share of the total population is growing by 3.05\% per annum,\textsuperscript{202} and this urbanisation rate is set to accelerate further with recent gas discoveries. The concentration of business and political power as well as the urban population in Maputo means that it will continue to be the hub for development. The northern and central regions of Mozambique will benefit from major infrastructure projects over the medium term.

Mozambique’s economy has been growing at an average of between 7.5\% and 8\% over the last decade and its future economic potential is now underpinned by vast natural resources. These natural resources are primarily coal and natural gas deposits that have been either recently discovered or have recently entered production. However, it will take some time for the economic benefits to spread through the whole economy. Despite its natural resources and fast economic growth, Mozambique is developing from a very low base and remains among the lowest-ranked countries in the world based on GDP per capita,\textsuperscript{203} making private investment imperative.\textsuperscript{204} Key challenges for economic development include the need to ensure diversification of the economy in the light of the upcoming resource boom, the creation of infrastructure to meet
rising demand and lack of human capital. Mozambique’s current expenditure on education amounts to 5% of GDP\textsuperscript{205} compared to 7.3% in the United States.\textsuperscript{206}

Mozambique has a favourable geographical location as a natural entry and exit point for global trade to its landlocked neighbours and the northern part of South Africa, but currently this flow of goods will continue to congest the country’s transport channels.

Mozambique was ranked 127\textsuperscript{th} out of 189 countries in the World Bank’s Ease of Doing Business rankings in 2015.\textsuperscript{207} Mozambique’s score in the Global Competitiveness Report issued by the World Economic Forum is set out alongside.

**Infrastructure**

While still struggling to rebuild its infrastructure two decades after the end of a civil war, Mozambique is also seeking to respond to a surge in demand for infrastructure resulting from recent natural resource discoveries.

Most of Mozambique’s electricity capacity is exported to South Africa. Although less than a quarter of Mozambicans are connected to the local electricity grid, the country has insufficient capacity to meet increasing industrial and domestic demand. The national electricity provider expects electricity demand to grow by around 15% to 20% per annum over the next few years on the back of a boom in the coal and natural gas industries, while supply will only grow by 10% per year increasing the electricity shortfall. To address this, power projects worth US$12 billion are in the pipeline.\textsuperscript{208}

Transport projects worth US$17 billion are planned. This includes increased rail links to ports and expanding port capacities to allow for greater exports of agricultural goods and coal.

**Residential sector**

The residential sector is one of the more important real estate sectors in Mozambique. It is mainly driven by the high demand and limited supply at the top end of the market. Developers, attracted by rising prices and rentals particularly in central Maputo, are entering the market with new developments targeting high-end buyers. There is very limited current investment in the low-cost housing sector, as superior returns can be achieved on high-end projects. Low-cost housing developers are also put off by the need to build the supporting major transport and services infrastructure to service new sites, the lack of government support for low-cost housing schemes, and the limited ability of low-income households to access affordable finance.\textsuperscript{209}

\textbf{Transport projects worth US$17 billion are planned}
Retail sector

The Mozambican formal retail sector is small as a result of the significant size of the informal sector. Most of the retail activity is driven by South African retailers such as Shoprite, Woolworths and Mr Price. Retail investment and development are being stimulated by the rising need for goods.

Commercial sector

The office sector in Mozambique is experiencing a mild uplift, with prime office rentals increasing from US$25 to US$30/m². This uplift is mainly as a result of interest from diplomatic/aid sectors, banking and telecommunication firms.

Government support

Mozambique is still facing challenges with its governance and corruption. Corruption and bribery are perceived to be widespread. Slow decision-making by government and high levels of perceived ‘red tape’ are also barriers to doing business in the country. The World Bank estimates that it takes 230 hours, or 29 eight-hour working days, to become tax compliant.

Trade and investment in Mozambique are undermined by a number of factors such as arbitrary tax policies, minimal enforcement of property rights, and weak rule of law.

Private ownership of land is not permitted, creating additional challenges for prospective real estate developers and investors. Land tenure in Mozambique is currently obtained through ninety-nine year usage rights or acquisition of buildings, infrastructure and existing improvements on the land. Foreign individuals and corporate entities can acquire land rights provided that they have an investment project approved and, being individuals, have been living in Mozambique for more than five years. For corporate entities, they have to be incorporated or registered in Mozambique.

There are full property rights for Mozambicans and foreigners over the buildings, infrastructure and improvements erected on land. In 2007, new legislation was introduced concerning real estate timeshare investments, which has opened up investment opportunities for foreign property investors.

Mixed-use development in Mozambique

Atterbury Africa is planning three mixed-use property developments in the cities of Beira, Pemba and Nacala.

Pemba Retail is a 7600m² convenience center anchored by Shoprite. The development is planned to be completed by the end of 2015.

Design Concept courtesy of www.atterbury.co.za
Tanzania is one of sub-Saharan Africa’s fastest-growing economies and is expected to become one of the fastest-growing economies of the world, but is still small in absolute terms with a market size of about US$33.23 billion. Key drivers for anticipated growth will be:

- Recent natural gas discoveries;
- The growth in industrial subsectors such as construction, mining and manufacturing;
- Regional integration;
- Reforms that improve the ease of doing business; and
- A long-term stable democracy.

Tanzania has a predominantly rural population with only 26.7% of the population urbanised – the lowest of countries profiled in this report. This urban population is growing fast at a rate of 4.77% per year. According to The African Development Bank, Dar es Salaam, the country’s capital, will see population growth of more than 80% by 2025, making it the fastest-growing city on the African continent.

The majority of Tanzania’s population, 44.6%, are younger than 15 years and only 2.9% are older than 65 years, giving Tanzania a relatively young population. The country’s total population is growing at a rate of 2.8% per year.

To address relatively poor development progress and high poverty levels within the population, the government has called for more active private sector participation in its Second National Strategy for Growth and Reduction of Poverty, MKUKUTA II, which was initiated in 2010.
The country’s diverse natural resources provide the basis for attracting investment, earning foreign currency and supporting economic growth. Tanzania is a significant producer of gold and diamonds. Tanzanite gemstones, coal and uranium oxide have the potential to become fast growing mining subsectors.

There are positive signs that Tanzania will stay on a favourable growth path in the long run and establish itself as a viable alternative to Kenya as a gateway to the East African region.

Tanzania was ranked 131st out of 189 countries in the World Bank’s Ease of Doing Business rankings in 2015. Tanzania’s score in the Global Competitiveness Report issued by the World Economic Forum is set out below.

Infrastructure

Infrastructure in Tanzania has witnessed impressive investment in recent years and there is more to come. Transport and utilities infrastructure projects worth US$19 billion are in the pipeline. Improvements to local infrastructure are also expected to have a positive impact on residential house prices.

Increased development will lead to greater congestion at the port of Dar es Salaam. The construction of a new US$10 billion port at Bagamoyo will help alleviate congestion once it becomes operational in 2017.

Of Tanzania’s population of around 49 million, about 20% currently have access to electricity. Improving electricity supply and distribution will assist the country in attaining higher levels of economic growth. Tanzania in 2013 produced about 800MW of electricity, and total output is expected to exceed 3GW by the end of 2015 as various power projects come on stream. The increase in capacity will be enough to meet increased domestic demand and stimulate the manufacturing sectors as well as providing a surplus for export.

Residential sector

Tanzania’s real estate market is mainly focused on the residential property sector. The government of Tanzania owns the majority of the residential property units, meaning there are fewer opportunities for home ownership at present. The gap between demand and supply of houses in Tanzania creates a significant opportunity for real estate developers. It is estimated that the housing shortage is close to 3.8 million units, growing by an additional 200 000 units per year. This is coupled with an increasing demand for housing amongst low- and middle-income families, although access to finance remains a major constraint on the market.
The Government of Tanzania has already secured a US$104 million loan from a consortium of financial institutions to assist civil servants to fund housing costs.

In the private market, high-end beach-facing properties in Oyster Bay, the Masani Peninsula in Dar es Salaam and Lake Victoria shore in Mwanza are obtaining the highest rents.

Retail sector
Tanzania’s retail sector is set for take-off. As in other low-income African countries, consumers focus on price and availability. Supermarkets are becoming more popular for higher-income Tanzanians and expatriates seeking variety and more sophisticated products. Large retail schemes and smaller retail centres are being developed near up-market residential areas such as Mikocheni, Oyster Bay and Msasani.

South African retailers such as, Game, Woolworths and Kenya’s Nakumatt are operating in Tanzania. Up to 80% of the products of these stores are imported through the port of Dar es Salaam.

The country’s biggest shopping mall is the 19 000m² Mlimani City in Dar es Salaam, and this is also the country’s first air-conditioned mall. The mall was opened during November 2006 and according to the annual report of the mall’s holding company, Turnstar Holdings Limited, the company intends to expand its existing tenant mix within retail, luring additional corporate organisations to take up office space in the Mlimani Office Park. This would also bring additional businesses, visitors and residents to Mlimani City, increasing the need for hotel accommodation. Plans are also being drawn up to expand the mall by an additional 10 000m².

Commercial sector
Most of Tanzania’s office market activity is located in its capital. In recent years, office space that has been developed has achieved full occupancy. However, tenant relocations and ongoing construction may begin to have an impact on occupancy levels.

The strength in leasing activity of new office space demonstrates the significant demand for quality office space in Dar es Salaam. It is estimated that the average rental for premium office space is US$21/m² per month, providing an income yield of 9%. In the past, due to the scarcity of office space in the capital, some residential flats in prime areas of the city have been converted into commercial properties. In recent years demand patterns have begun to change, with some businesses relocating to new office development outside the city centre to avoid traffic congestion.

Government support
Tanzania’s historically government-led economy is now more market-based but remains hindered by weak property rights. Land in Tanzania is officially government property and can only be leased from the government for 33, 66 or 99 years, depending on its use. However, annual land rentals are relatively low and new legislation gives the lessee first right of refusal to extend the lease when it expires.

Recent government reforms have been aimed at establishing a reliable system of transferring property rights and have been cited as one of the reasons for continued real estate development growth in the country. To stimulate economic activity and further boost the country’s real estate market, the government has also fostered a more stable and predictable fiscal investment regime, and has signed several double taxation agreements and multilateral and bilateral agreements.

Regulations have also introduced REITs to the country and the introduction of the Unit Titles Act, a condominium law, now allows for a multi-storey building to be co-owned.

The REIT structure has been in existence in Tanzania since 2011, when the Capital Market and Securities Authority put in place the regulatory framework to enable capital raising to finance real estate projects through REITs. To date, no REITs have been established in the country.
Namibia

Key indicators

Income level: Upper middle income
- GDP growth: 5.1% (2013)
- Population: 2.3 million (2013)
- Inflation: 4.76% (Dec 2014)
- Political stability: 0.93 (2013)
- Corruption Perception Index: 49 (2014)

Namibia, with its relatively sophisticated governance and regulatory structures, has managed to attract the attention of international investors as a stable country in which to invest.

Namibia has an urban population of 38.4%, which is growing at a rate of 3.14% per annum. Windhoek, the capital, is Namibia’s largest city. Two thirds of Namibia’s population are younger than 55 years and the country has a median age of 22.8 years.

Economic growth will be driven by capital-intensive projects in the mining and infrastructure space, while key exports such as diamonds and uranium will benefit in cases of improved market demand.

The Namibian economy remains closely tied to the agricultural sector and with continued climate change, variations in weather patterns pose substantial risks. The impact of adverse weather conditions on agriculture poses potential risks to growth, inflation and trade.
Namibia was ranked 88th out of 189 countries in the World Bank’s Ease of Doing Business rankings in 2015.236 Namibia’s score in the Global Competitiveness Report issued by the World Economic Forum is set out alongside.

Infrastructure
Namibia is considered to have great potential; however, in order to attract large amounts of foreign investment, the country must seek to bridge gaps in primary infrastructure, especially in the areas of oil and gas, agriculture, mining and renewable energy.

According to RMB infrastructure spending is set to be the biggest contributor to the country’s GDP growth of 4.5% during 2015.237 The boom in the infrastructure sector was mainly driven by the government’s Targeted Intervention Programme for Employment and Economic Growth (TIPEEG), which has now ended. In part as a result of this infrastructure expansion, it is estimated that between 2014 and 2023, the construction industry will grow by 10.3%.238

Namibia’s port authority will start the development of the US$365 million Southern Africa Development Community Gateway Port, which may become a new gateway to sub-Saharan Africa.

Industrial sector
The current industrial market in Namibia is mainly focused on providing warehousing space as a result of the significant imports and exports going through Namibian ports. Namibia is also experiencing positive development in its mining and manufacturing industries. There is also demand in Swakopmund and Walvis Bay.

Residential sector
A dearth of mid-range housing stock has driven up house prices for middle-class buyers in the capital Windhoek. According to First National Bank (FNB), the average price for a small house is US$22 000; US$48 000 for a medium-sized house and US$82 000 for a large house. There are large volumes of properties being developed and sold at below US$175 000, while there is also high activity in the US$300 000 region for luxury houses.

Demand for Namibian real estate is also influenced by South African and Angolan investors in recreational real estate in areas such as Swakopmund and Windhoek. However the economic slowdown in the South African economy and laws restricting currency from leaving Angola has led to lower demand from these two key neighbouring countries.

According to Pam Golding Properties, farms for sale in Namibia are extremely popular. This is mainly driven by the fact that 46% of the country’s total surface is suitable for livestock. The livestock sector is estimated to contribute 70% to the agricultural sector of Namibia’s economy.239
Retail sector

Developments in the retail sector are ongoing, with new malls under construction and existing malls receiving makeovers and expansions. The South African developer Atterbury, is involved in retail developments in Namibia.

Atterbury is part of a US$110 million development of The Grove. The development includes 54,000m$^2$ of mixed-use floor space. The development includes a hotel, offices, apartments, a medical centre, a health and fitness centre, and space for 126 stores. There are a number of new malls currently being developed across the country, including in Windhoek and the north of the country. Plans for retail developments in Swakopmund and Walvis Bay are also in the pipeline.

Commercial sector

Demand for office space is mainly driven by activities in the capital, Windhoek. Freedom Plaza is an example of significant office space development.

The city’s development plan includes the expansion and development of IT-based shared services centres and textile manufacturing. Demand for offices is also driven by services supporting Namibia’s growth industries, such as mining and energy, tourism and manufacturing and infrastructure development.

Government support

The Government’s Targeted Intervention Programme for Employment and Economic Growth (TIPEEG) targeted investment to the value of US$1.27 billion, equal to 16% of GDP. The programme, which has now ended, was expected to create an estimated 187,000 jobs. With the programme’s main objective being to channel investment into agriculture, transport, tourism and housing, the main focus was on infrastructure projects. Reports on its success vary, but the annual report of the National Planning Commission says 83,315 jobs were created representing 44.6% of the target of 187,000 jobs which the majority were temporary. Programme expenditure at the time of the report was US$940 million.

With similar banking regulations to South Africa and strong protection of property rights, Namibia remains an investment destination where investors receive support from the Government.
Mauritius is a 2 040km² island, approximately 11 times the size of Washington DC, with 177km of coastline.

The country has an urban population of 41.2% (31 Dec 2013) with the majority of the urbanised population in Port Louis, the country's capital. There was a marginal decrease in the percentage of the total urban population from 519 718 (41.3%) in Dec 2012 to 518 752 (41.2%) in Dec 2013. Based on current demographics, projections suggest the population will decline from 2030 onwards:

**Projected population**

![Projected population graph]

**Key indicators**

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<td>Upper middle income</td>
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<tr>
<td>GDP:</td>
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<tr>
<td>GDP growth:</td>
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<tr>
<td>Inflation:</td>
<td>3.2% (2014)</td>
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<td>Political stability:</td>
<td>0.94 (2013)</td>
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<tr>
<td>Corruption Perception Index:</td>
<td>54 (2014)</td>
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*Source: Central statistics office, Mauritius*
Mauritius’s age distribution has the structure of a bell curve, with 44.1% aged between 25 and 54 years old. The median age in Mauritius is 34.4 years.

It is expected that the Mauritian economy will achieve GDP growth of 4.2% in 2015 and 2016 with private consumption and tourism being the main drivers.

The drivers of real estate investment in Mauritius are sustained GDP growth, an increase in average income, declining interest rates, availability of financing from local banks and easy access to FDI.

In addition, the measures taken to restructure the sugar industry have paved the way for land parcelisation (known locally as ‘morcellement’), thereby improving access to land purchase for residential purposes for the public in general.

Mauritius was ranked 28th out of 189 countries in the World Bank’s Ease of Doing Business rankings in 2015, the highest-ranking on the African continent. Mauritius’ score in the Global Competitiveness Report issued by the World Economic Forum is set out alongside.

Infrastructure

Infrastructure in Mauritius is well developed and roads are in good condition. Of the total 1 910km of roads, 1 834km are paved. With less than a tenth of the population owning cars, the road infrastructure is considered sufficient to hold the country’s traffic volumes.

Mauritius has embarked on the implementation of a broad-based infrastructure programme (principally towards further improvement of the road network, port and airport) with investment of US$880 million, representing a 39% increase over 2012.
The country has one port, Port Louis, which was upgraded in the 1990s. Construction of a new quay is currently underway as part of the above-mentioned broad-based infrastructure programme. Aiming to become a major transhipment centre, given its location between Africa, Asia and Australia, the country currently handles around US$780 million worth of trade per annum.\textsuperscript{252}

The country has a new airport terminal that has been in operation since September 2013. The airport has paved runways that have been extended recently to accommodate larger aircraft such as the Airbus A380. Regular flights by British Airways, Air France, South African Airways, Emirates and Air Mauritius service the island. This aids tourism.

The country’s modernised telecommunications infrastructure is mainly the result of a partnership with France Telecom, which has a 40% stake in the local telecommunications provider.

**Residential sector**

There are two distinct categories, namely sale of residential plots from land parcelisation programmes (some are developed into gated residential developments) and that of ready built homes (most often apartments).

Increased construction activity has been seen in residential apartments despite signs of oversupply in certain areas. The west and central areas of Mauritius are showing clear signs of an oversupply, with prices stagnating, if not regressing, in some areas.

**Retail sector**

In the retail sector, the recent construction of several large retail shopping centres spurred by FDI mainly from large South African investors/developers such as Atterbury and Retail Africa has meant that this sector is showing signs of an oversupply, as tenants exercise considerable pressure to review rental rates downwards. While some retail malls appear to be doing well, others are clearly struggling.

Performance among shopping centres has varied considerably. In most cases, where business performance has been poor, tenant failure is often attributable to incorrect positioning, lack of product demand (product offering not adapted to the clientele) and/or pricing in respect of the demography of the clientele at the shopping centre. New market entrants should carefully consider these factors when selecting a suitable location.

**Hospitality sector**

Mauritius has a large tourism sector that leads to growth and investment in other sectors such as construction. In order to provide some protection to the economy from external shocks such as the global financial crisis in 2007, which had a significant impact on tourist traffic from the US and Europe, Mauritius has started targeting visitors from other markets such as Asia. Air Mauritius recently introduced direct flights between the country and Shanghai and Beijing. The strategy is paying off, with Chinese visitors up 86.9% in 2014.\textsuperscript{253}
The growth of medical tourism is also noted in Mauritius. Visitors come to Mauritius to receive medical treatment either because it is cheaper or because the Mauritius healthcare system is more developed compared to their home country. Medical tourists showed a 70.8% increase in 2012 and with additional government investment, the country is looking to attract 100,000 medical tourists by 2020, up from 21,346 in 2012.254

Hospitality remains a key driver for the Mauritian economy. There is currently an oversupply of hotel rooms on the island as compared to the seating capacity of airlines operating towards Mauritius. Occupancy and rates are under constant pressure and some hotels have resorted to heavy discounting to maintain market share. Despite this, new hotels have opened on the island. Another factor contributing to the oversupply is the emergence of beach bungalows as an alternative for visitors. Today 30% of all visitors stay in bungalows when visiting the island for holidays. That said, the growth in the number of rooms and bungalows has been higher than the demand for such accommodation, thus prices have also suffered recently.

Commercial sector

There is a continued oversupply of office space in Mauritius. This explains the intensified competition between office building owners for tenants. This competition has led to downwards pressure on office rental levels. Office rental rates have started to decline in the main business areas of Port Louis and Ébène, predominantly in the case of newly-built offices, which are struggling to find tenants.

Government support

The government of Mauritius introduced two property investment schemes, known as the Integrated Resort Scheme (IRS) and the Real Estate Scheme (RES). Foreigners obtaining property worth more than US$500,000 through either scheme are entitled to a residency permit. Property sold out of the IRS can only be sold at a minimum value of US$500,000 where the RES does not have a minimum investment limit. The introduction of these schemes has led to a 10% to 15% average increase in property values over the past eight years.255

Through the introduction of the IRS and RES schemes, the island has seen tremendous growth in the number of ready-built units sold to foreigners. As at December 2013, 1,122 units had been sold under these schemes.256

Property values have also increased due to significant increases in the cost of construction driven largely by increases in labour costs and in the cost of imported raw materials.

In addition to the above schemes, the Government of Mauritius allows foreigners that have obtained a permanent resident status the right to purchase units in apartments of a minimum of two floors above ground level.257

Tax in Mauritius is considered low with taxation at 15% for onshore and between 0% to 3% for offshore investments.

*Recognition on page 83

**The Mauritius Commercial Bank**

The office development in Ébène, Mauritius is a 28,042m² US$ 4.5 million development.

Building materials are predominantly maintenance free and the building contains numerous green initiatives such as solar heating, photovoltaics, energy storage and thermal building mass activation, and during winter months the building is 100% naturally ventilated.
Currently, 39.2% of Zambia’s population are urbanised and the urbanised population is growing fast at a rate of 4.2%. The country’s capital, Lusaka, has an estimated population of 1.8 million people. Outside urban centres, the majority of Zambia’s population are subsistence farmers.

Zambia has a fairly young population with 46.2% of the population being younger than 14 years. Only 2.4% of the population are older than 65 years. The average life expectancy in Zambia is currently only 51.83 years. Zambia’s young and growing population are expected to drive demand for residential property together with different types of real estate such as student housing.

Of the countries profiled in this report, Zambia has one of the lowest education expenditures at 1.3% of GDP (compared to 7.3% in the United States).
Zambia was ranked 111th out of 189 countries in the World Bank’s Ease of Doing Business rankings in 2015. Zambia’s score in the Global Competitiveness Report issued by the World Economic Forum is set out alongside.

**Infrastructure**

In 2012 the Zambian government raised US$750 million through a bond issue to bridge the infrastructure funding gap. This was expected to increase GDP growth by two percentage points. This has been invested in railways, hospitals, roads and power, together with other government projects.

According to the Zambian Development Agency, hydropower is the most important energy source of the country, with the government-owned Zambia Electricity Supply Corporation being the main electricity producer. It is estimated that Zambia has 6 000MW of unexploited hydropower potential. Based on current projections, electricity demand is likely to increase to 2 400MW, creating a 550MW deficit in Zambia’s power supply.

**Residential sector**

Zambia is facing a critical housing shortage, with the biggest shortage in the supply being in urban areas and particularly in rapidly growing towns in the Copper Belt and the North Western province, where mining activities have increased.

The government estimates there is a backlog of 1.5 million housing units across the country. The delivery of at least 150 000 housing units per annum has been recommended for the next ten years to bridge the gap. As a result of this shortage, modern cluster-style homes are expected to have great potential for future investors in Zambia.

Investors are already entering the residential market in response to high demand and a lack of available housing. For example, the North Western province will see 3 500 new residential units added by investors when mining company First Quantum Minerals further invests in their mining operations in the province.

**Retail sector**

The retail sector is poised for significant growth with demand driven by the rising population. The majority of retailers entering the market in Zambia are from South Africa, such as the retailer Shoprite.

The Kitwe Shopping Mall at Freedom Park will be a 18 000m² retail development with space for 50 tenants. The development, which includes a hotel, will amount to a US$2 billion investment.

The government estimates there is a backlog of 1.5 million housing units across the country.
Commercial sector

The office sector in Zambia is seeing positive growth with major new developments and refurbishments of existing buildings.

In Lusaka, the development of Roma Park, a US$100 million mixed-use investment, will see 217 acres converted into residential, retail and office space. The office space will include conference facilities, restaurants and office units. Prices for the residential units range from between US$25 to US$40/m².\textsuperscript{271}

Government support

The government is aware of the infrastructure funding gap, and through the introduction of PPPs, the government is targeting private sector financing as an alternative for infrastructure development.

The government has also introduced multi-facility zones, which are special economic zones offering investors tax incentives. Investments of more than US$500 000 attract 0% tax on dividends for five years from the date of first dividend declaration, 0% tax on profits for the first five years and 0% import duty on capital goods for five years.\textsuperscript{273}

The development of Roma Park, a US$100 million mixed-use investment, will see 217 acres converted into residential, retail and office space

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The Zambian Government introduced a new royalty regime with effect from January 2015, which increases royalties payable by mining companies from 6% to 20% for open mines and from 6% to 8% for underground mines.\textsuperscript{274} This significant increase in royalty payments is likely to create disincentives for future private sector investment in the mining sector and indirectly impact employment and growth. It may also affect demand for real estate across all asset classes.

The REIT structure has been introduced in Zambia, but the country currently has no active REITs.
17. Angola, Uganda, Nigeria, Ghana, Kenya, Tanzania, Ethiopia, Sudan, South Sudan, Mozambique and Zambia


“IHS Global Insight, September 2013


66 DRC, CAR, South Sudan, Sudan and Somalia
86 Standard bank, Absa, Nedbank and FirstRand

PwC (2014) Real Estate 2020: Building the future

http://www.cp-africa.com/2014/10/10/african-countries-comprise-6-10-worlds-fastest-growing-economies-2014/


124. Super Return Africa Conference


131. As determined by World Bank against global benchmark


161. Brazil, Russia, India, China and South Africa
169. IPD figures
179. As determined by World Bank against global benchmark
235. Business Monitor International data
237. Business Monitor International data
238. Business Monitor International data
242. As determined by World Bank against global benchmark
247. Business Monitor International data
251. Mauritius Budget 2013
253. Business Monitor International data
254. Business Monitor International data
256. Board of Investment, Mauritius
257. Mauritius Budget 2013
259. As determined by World Bank against global benchmark

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We would like to thank the following people for the use of their photographs. The work is licensed under a Creative Commons Attribution 2.0 International Licence available on https://creativecommons.org/licenses/by/2.0/

Africa is redefining itself through real estate – Before photographs (p11)
- Sue Hoppe, John Atherton
- Lu-Gerda de Klerk, Mstyslav Chernov
- Hugues, Chris Snelling
- TPS. Dave, Caitlin
- Maria Michelle

Africa is redefining itself through real estate – After photographs (p11)
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- Jeff Attaway
- Jeff Attaway, Evan Bench
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The Mauritius Commercial Bank (p70)
- The Mauritius Commercial Bank; Christian Bossu-Picat and Johan Pretorius (Photographers); and Jean Francois Koenig (Architect)
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South Market
East Market
West Market
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