

RICS examines future vision for African real estate

A key takeout at the RICS (Royal Institution of Chartered Surveyors) Africa 2015 Summit in Johannesburg last week is that Africa is taking its place on the world stage in terms of real estate, infrastructure and construction...



The Summit brought together professionals, academics and industry leaders to examine the future vision for Africa's real estate market. The well-attended, high-energy event on Wednesday, 25 March 2015 was RICS's first international conference on the continent.

There was a clear sense that the RICS can play an important role in helping countries build consistent standards where needed, albeit with a definite focus on collaboration with existing bodies and governments.

RICS President Louise Brooke-Smith told the participants that she has been championing RICS partnerships in Africa and that it was appropriate to hold the conference in the city with the largest GDP in the region. "We've evolved into a truly international body. By 2020, the majority of our membership will be from countries other than the UK," she said. "We're seeking to spread best practice wherever we find it." The aim was to share experiences with open minds in a spirit of partnership.

While several participants, including emerging market economist Kganya Kgare from Stanlib, stressed the divergences within the continent, all acknowledged that consistent standards would go a long way to addressing challenges. Whereas inflation in East Africa is well within target and the Kenyan shilling is very stable, with 6% growth expected in 2015, inflation in Nigeria is expected to accelerate from the middle of the year and interest rates are at an all-time high, said Kgare.

Commercial property, one of the darlings of the market

Among the topics examined was the future economic sustainability for southern Africa. Africa's economic growth is predicted to outpace all other continents in the next five years, with forecasts showing that four of the world's 10 fastest-growing national economies will be on this continent. The panellists looked at investment sources, risk and the vital ingredients underpinning ongoing momentum. One conclusion was that commercial property is one of the darlings of the market in countries such as Ghana, Kenya and South Africa.

Speakers Martin Brühl (Fellow of the RICS); Jones Lang LaSalle Global Director, EMEA Corporate Solutions Vincent Lottefier; and Francois Viruly (FRICS) debated key markets, drivers, trends and opportunities. Brühl, who is RICS President Elect and Head of International Investment Management, Union Investment Real Estate, stated that there are investors who 'think that Africa is the new Asia'. Again, the need for benchmarking and adequate data was mentioned. Viruly, of University of Cape Town's Department of Construction Economics and Management, identified Kenya, Rwanda, Ghana, Mozambique and Zambia as possible markets for new investors.

Urban development, planning and land use was another topic of discussion. "Spatial transformation is an evolutionary animal," said Johannesburg town planner and manager Ekurhuleni Metro, Itumeleng Nkoane. He called for a mix of the 'first and second' (formal and informal) economies. "As planners, we cannot industrialise in the same way as Europe and America... Living in a sustainable environment is not only about living in a beautiful environment, but about survival. There should be a shift from being development controllers to being development facilitators."

RICS President Brooke-Smith agreed that planning is a balancing act, citing the increasing neighbourhood approach to planning and commercialism even in developed countries such as Britain.

However, she identified 'a massive skills gap' in two areas: there are not enough skilled professionals in the built environment and there is a lack of data and information. Co-panellists Nkoane and James Dadson, Chief Lands Officer, Ghana Land Commission, agreed, with Nkoane saying not enough young people are encouraged to go into the built environment as a career in South Africa. Dadson said since investors come in primarily to make profit, African governments should position themselves to absorb investors in a way that benefits society.

A common theme throughout the conference was the importance of infrastructure as a core factor in sustaining growth. In a session on 'The African economic engine', the question was asked what infrastructure sub-Saharan Africa needs to be truly globally competitive.

Supply and demand mismatch

Dale Ramsden, Founder and Managing Partner, RMP Westport, said the 'supply and demand mismatch' in West African countries such as Ghana, Nigeria and Angola creates opportunities. While RICS can be a huge help in drawing up standards, African countries often wrongly 'get a bad rap': "There are planning standards and approval processes. You have to be patient and things will happen. Do proper traffic impact studies, don't take short cuts and embrace the community."

In these countries, urban planning is a challenge, there is an emotional attachment to land and a strong demand for A-grade real estate. There are opportunities in the fact that there is a massive retail shortage and limited competition, but challenges in that the debt market needs to be grown, delivery is an issue and there is a lack of qualified rentals. Strong local partnerships, market knowledge, a zero tolerance of corruption and having the necessary equity in place are key.

RICS Senior Vice President Amanda Clack noted: "In an ideal world, you start with planning. In reality, each country in Africa starts from a different place." She also noted that the absence of adequate infrastructure can cost African countries two percentage points in terms of GDP growth per year.

One of the reasons China is successfully investing in infrastructure development in countries such as Nigeria is that it is willing to take the extra risk, speakers felt. Chinese companies tend to take a long-term view based on a model linking infrastructure and real estate development.

This risk will be reduced by increased transparency and a zero tolerance of corruption across the region, the panel agreed. Data points are also key to de-risking - and this is an area where RICS can play a role.

Debunking several myths about his continent, Broll CEO Jonathan Yach (member of the RICS), described himself as a 'proud afro-optimist' and said, "Africa is probably one of the most connected of continents, and this is driving growth."

While social instability poses a risk throughout Africa, corruption needs to be dealt with country by country and democratic governance must be encouraged, opportunities lie in the continent's young, well-informed and rapidly more urbanised people. Enhanced electrification is also opening up opportunity and scope. "This continent Africa is redefining itself through its real estate," Yach said.

"Standardised valuation practices around Africa will increase transparency," said Amelia Beattie, CIO of Stanlib and President of the South Africa Property Owners Association, adding that she had seen interest in South Africa and Africa increasing 'significantly' over the past two to three years. "The capital is out there. Our biggest challenge is to find investable opportunities to put the money in.

"The international market is looking for a much more significant investment base. We should learn as an industry to work together and to bring these opportunities to the world."

In response, RICS CEO Sean Tompkins confirmed that "RICS is a natural collaborator to make this happen". RICS would be delighted to support the development of valuation standards and prepared to host meetings with leaders and stakeholders to agree common standards.

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