

Investing in Africa pays off long term

Published by Commercial Property News – June 2013

South African investors and developers looking at investing in Africa need to partner with locals and be involved for the longer term as returns might not be attractive initially, according to Fergus Mackintosh, head of real estate for Africa at Standard Bank.



South African retailers are driving commercial development in Africa. As they expand so does the need for retail and office space in cities such as Lagos, Ghana, Nairobi, Maputo and others. "If you look at Lagos and Ghana the buildings around these cities are old and derelict and were built in the 1960s," Mr Mackintosh said.

"Most of these buildings are not useful and would either need to be demolished and new stock built".

There are big opportunities in Africa but most countries still lack proper land registries, which makes it difficult to have land available for new developments. While there are different types developments, the big focus in most Africa is retail.

"South African retailers are driving developments in Nigeria and Ghana in order to meet the aspirations of the African growing middle class," Mr Mackintosh said. "They are well travelled and have seen how other people in other countries live and work, and Africans who are entrepreneurial want the same services and things."

Poverty in the continent has also fallen from a high of 40% in 1980 to about 30% in 2008, so consumers have more money to spend.

African property developers hesitating to invest elsewhere in Africa will face stiff competition in the next couple of years from global players that also want a piece of the pie.

Mr Mackintosh advised investors and property developers looking to expand into Africa should look at doing so via joint ventures with seasoned counterparts and locals. "The advantage for us as a bank on the ground is that we can quickly analyse our partners in terms of their capacity and capability," he said.

The scope for property development on the continent is enhanced by the involvement of leading South African retailers including Shoprite and Massmart. Walmart, which recently acquired Massmart, has set its sights on the African markets.

But the Jones Lang LaSalle 2012 transparency index shows Africa still has much to do to improve its business and economic environment and transparency levels to attract more international [investment](#).

Source: BD