

AFRICA'S GROWTH CITIES ATTRACT INCREASED FOREIGN REAL ESTATE INVESTMENT

Attracted by Africa's startling economic and demographic growth prospects, the increased numbers of international investors are exploring opportunities in the continent's real estate markets.

Knight Frank is starting a series of research bulletins on key Africa growth hotspots based on Knight Frank's 2015 Africa Report released earlier in 2015.

FIGURE 1
Top Ten African Economies
(GDP, US\$ billion)

	2015	2019
1	 Nigeria 594.3	 Nigeria 830.1
2	 South Africa 341.2	 Egypt 528.7
3	 Egypt 284.8	 South Africa 426.8
4	 Algeria 227.8	 Algeria 275.9
5	 Angola 131.4	 Angola 194.2
6	 Morocco 112.6	 Morocco 164.5
7	 Sudan 70.0	 Libya 117.9
8	 Kenya 62.7	 Kenya 104.0
9	 Ethiopia 49.8	 Ethiopia 82.2
10	 Libya 49.3	 Sudan 78.7

Source: International Monetary Fund (IMF)

Highlights

- Africa's population has more than doubled since 1980 to stand at over 1 billion; it is forecast to reach 2 billion by 2050.
- The population of Africa will quadruple to over four billion by 2100, with nearly one billion of these people in Nigeria alone. This is arguably the single most important demographic trend that will shape the world over the course of this century.
- By 2100 nearly 40% of the world's population will live in Africa, with the large majority of these being in the continent's fast-growing cities
- The youthful demographics of African cities are attractive to investors, with large populations in the key 20-35 age group.
- Africa has averaged GDP growth of more than 5% p.a. over the last decade, making it one of the world's fastest growing regions.
- Africa's wealth is growing; 27 of its 54 countries are now classified as mid or high income countries, 12 more than in 2000.
- Africa is urbanising rapidly; about 40% of the population now live in cities, which is expected to rise to c.60% by 2050.
- UN projections show the populations of cities such as Nairobi and Dar es Salaam growing by over 70% in the 2010-2025 period.
- Technology is having a big impact on African consumer lifestyles; mobile phone connections reached over 700 million in 2012.
- Companies looking to enter Africa are targeting its growing major cities as the locations for their regional offices.
- Africa's cities are currently undersupplied for high quality real estate, creating huge opportunities for new development.
- Nigeria is now the largest economy in Africa with GDP estimated at \$594.3bn, followed by South Africa (\$341.2bn)
- Sub-Saharan Africa is one of the world's most rapidly developing economic regions, and it is projected that 13 of 20 fastest-growing global economies over the next five years will be in Africa
- Luanda in Angola has one of the highest prime office rents in the world at US\$150 per sq m per month, driven by demand from the oil and gas sector, and an extreme lack of availability.

Growth story

The growth of Africa's cities and economies will do much to define the global socio-economic landscape over the coming decades. These major long-term trends are driving the construction of high quality real estate across the continent. The most visible demonstration of this is the rise of the modern shopping centre concept in cities such as Nairobi, Lagos and Accra, but there are development opportunities in all property sectors.

Africa's growth potential has led to a notable increase in activity involving overseas investors and South African funds over the last years.

Foreign and external investment

Middle Eastern interest in African investment opportunities has been noteworthy historically given that Sub-Saharan Africa is just next-door. Over the last decade, Dubai logistics and air travel have become Africa's hub and link point for China and the rest of Asia. GCC funds have been seen pouring into African key cities through a mix of private investments, governmental aids and development loans. GCC presence in Africa include infrastructure and construction, agricultural and industrial projects and more recently in real estate investments.



Large volumes of good quality commercial and residential property are needed to support the continuing African growth story, presenting excellent opportunities for global funds looking to diversify or enter into African markets. GCC developers are aware of this fact and Africa is already on their radar.

Chinese investors' involvement in large-scale development and infrastructure projects across Africa has been particularly eye-catching. However, the Knight Frank report also identifies nine South African-based funds that have raised significant volumes of capital to invest in real estate projects across the Sub-Saharan region. These investors will develop a wave of modern investable assets that will do much to improve the size and maturity of African property investment markets over the next few years.

Peter Welborn, head of Africa, noted "We have seen rising interest in Africa from an increasingly diverse range of international investors, developers and occupiers in recent years. The inflow of investment from China into Africa has been well publicised, but there is also growing activity involving investors from elsewhere, including the rest of Asia and the Middle East. Meanwhile, an increasingly significant flow of capital has emerged from South Africa into other African markets.

"While many African countries remain challenging places in which to do business, there are high-growth opportunities across Africa for those able to navigate their way through the markets."

FIGURE 2
Top Ten African Cities
(population, millions)

	2010	2025
1	 Cairo, Egypt 11.0	 Lagos, Nigeria 18.9
2	 Lagos, Nigeria 10.8	 Cairo, Egypt 14.7
3	 Kinshasa, DR Congo 8.4	 Kinshasa, DR Congo 14.5
4	 Luanda, Angola 4.8	 Luanda, Angola 8.9
5	 Khartoum, Sudan 4.5	 Dar es Salaam, Tanzania 7.3
6	 Alexandria, Egypt 4.4	 Khartoum, Sudan 7.1
7	 Abidjan, Côte d'Ivoire 4.2	 Abidjan, Côte d'Ivoire 7.0
8	 Johannesburg, South Africa 3.8	 Alexandria, Egypt 6.2
9	 Cape Town, South Africa 3.5	 Nairobi, Kenya 6.1
10	 Dar es Salaam, Tanzania 3.4	 Kano, Nigeria 5.7

Source: UN-HABITAT



For further information, please contact:

Diaa Noufal

Associate Partner, MENA Research

+971 56 4552 747

Diaa.Noufal@me.knightfrank.com