

African real estate attracts increased foreign investment

Africa's demographic growth prospects and the consequent opportunities in real estate are increasingly attracting international investors...

The population of Africa will quadruple to over four billion by 2100, with nearly one billion of these people in Nigeria alone. This is according to Knight Frank's Africa Report 2015, published on Monday, 30 March.



Other findings:

- By 2100 nearly 40% of the world's population will live in Africa, with the majority being in the continent's fast-growing cities.
- 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 sqm per month, driven by demand from the oil and gas sector, and an extreme lack of availability.

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Growth story

The largest cities of sub-Saharan Africa are growing at a rapid pace; Luanda's population is forecast to increase by more than 70% during the 2010-2025 period, while Dar es Salaam, Kampala and Lusaka are expected to double. Allied to strong economic growth, this is creating increased demand for good quality real estate of all types.

The retail sector has seen a huge increase in activity as a result of the rise of the urban middle class and the expansion of South African retailers such as Shoprite and Pick n Pay into the rest of Africa. Modern shopping malls are a relatively new concept in much of Africa, but a spate of new malls have been developed in key cities such as Accra and Nairobi.



Image credit: [Galetti.co.za](https://www.galetti.co.za)

Francois Staples, Joint CEO and Co-founder of Galetti Knight Frank, said, "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.

"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."

Foreign and external investment

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

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.

Tony Galetti, Joint CEO and Co-founder of Galetti Knight Frank, commented "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.



Image credit: [Galetti.co.za](https://www.galetti.co.za)

"A prime example is the likes of RMB Westport who are involved in office and retail projects in Angola, Ghana and Nigeria. The South African property market has become highly competitive, and it has become increasingly difficult to achieve consistent growth due to a lack of high quality investment grade stock. As a result, property funds and institutional property owners such as Atterbury, Stanlib and Resilient are targeting the rest of the African continent for growth opportunities."

"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," concludes Staples.

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