AFRICA HORIZONS

A UNIQUE GUIDE TO REAL ESTATE INVESTMENT OPPORTUNITIES

2021/2022

Market resilience | Innovation | Health and wellness

Contents

Commissioned by

James Lewis
Managing Director,
Knight Frank Middle East and Africa

Editorial team
Tilda Mwai
Andrew Shirley

Contributors
Stephen Beard
Betty Cox
Anthony Duggan
Winnie Gachagua
Nick Gaertner
David Goatman
Anthony Havelock
Sharon Kamayangi
Gireesh Kumar
Ian Lawrence
Charles Macharia
Cameron McDonald
Charles Onyenze
Victoria Ormond
Arturo Pavani

PR and Marketing
Sarah Guppy
Melissa Hughes
Cynthia Kimola

Creative
Quiddity Media Limited

Data partner
fDi Intelligence

fDi Markets

Welcome

I am delighted to welcome you to the second edition of our Africa Horizons *report*

This past year has been in very many ways an extraordinary one for the global economy and real estate. Behavioural shifts as a result of the Covid-19 pandemic forced us to rethink how we interact and occupy space in markets across the world.

However, it has also been a testament to the breadth of opportunities and market resilience that Africa continues to present. For this reason, we start off the report by interviewing South African venture capitalist Vusi Thembekwayo, who shares his thought-provoking views on how to capitalise on the African opportunity.

The world over, Covid-19 has supercharged some of the longer-term trends that were already emerging pre-pandemic, such as sustainability, health, wellness and innovation. In this edition, using data and insights from our teams across the continent, we illustrate how these themes are taking shape in Africa.

For example, our article on page 20 details the future of African cities in the light of changing climatic conditions, while on page 28 we outline the factors shaping the growing need for data centres. And, recognising that real estate is about living as well as investing, on page 32 we explore changing attitudes towards home ownership.

Further, throughout the report we endeavour to predict what will come next in sectors including commercial offices, healthcare and agriculture, so our clients are well placed to capitalise on these opportunities.

This year marks the 125th anniversary of the formation of Knight Frank. As a business, we have continued to grow radically, including our commitment to Africa. From our first office in Lagos, opened in 1964, to a growing team of over 400 experienced professionals based in nine African countries and operating regularly in 43 of the continent's 54 sovereign nations, we deliver innovative advice that creates tangible value for our clients, while all the time working responsibly, in partnership, to enhance people's lives and environments.

I hope you enjoy *Africa Horizons* and find it useful and thought provoking. If my team can be of any help, do get in touch. You can find their contact details at the end of this report.

James Lewis
Managing Director, Knight Frank Middle East and Africa

Nothing ventured, nothing gained

“I think we’ll increasingly see more African countries move away from primary industries as a major source of GDP towards secondary and tertiary industries and beneficiating some of those goods and services.

South African venture capitalist Vusi Thembekwayo highlights the opportunities on offer to investors across Africa – and tackles the tough questions the continent needs to answer before it can fulfil its true potential

Interview: Andrew Shirley

How quickly do you think the continent can bounce back from the Covid-19 pandemic?

My expectation is that it’s going to be a very long L-shaped recovery and then we’ll begin to see some shoots again. A big part of the challenge is that many of the economies in the continent were already in trouble pre-Covid. In the southern region you’ve got Swaziland, Lesotho, Botswana and then Namibia, all of them tethered to the economy of South Africa. So, it’s going to take a while, in my estimation. And especially for households, the middle class and the consumer class.

Because of the pandemic, a lot of businesses have had to adapt, becoming much more flexible and entrepreneurial and creating new ways to service their clients. Is that something that’s happening in Africa?

In many organisations, big or small, it seems to me pre-Covid that the biggest barrier to shifting and changing towards more aggressive use of technology was people felt that technology wasn’t ready. If there’s one thing Covid has proven, it’s that the technology was always capable and was always ready. It was the humanness and the desire to keep things as they were, rather than to move to a new world of work, that was holding things back.

Particularly in our part of the world, we’ve seen an incredible increase in the usage of online technologies, the use of online productivity tools across organisations and across businesses. Both services businesses and industrial businesses have really had to think about how they automate processes, how do they then streamline those processes once they’ve been automated, how do they collapse some of those processes so they can get from point A to point Z in a much shorter space of time and become more price competitive?

And most importantly it’s driven these massive localisation programmes where we’re seeing some of the large S&P 500 companies talking about localising key and critical parts of their supply chains [in Africa]. And that’s going to accelerate the rate at which these businesses are able to adopt new technologies. So, I’ve been very excited to see the rate of technology adoption and the speed with which people have taken to this new reality, as everybody now calls it.

Do you think Africa could become more competitive and fulfil some of the roles for the rest of the world that China has been fulfilling because of these changes?

I think we’ll increasingly see more African countries move away from primary industries as a major source of GDP towards secondary and tertiary industries and beneficiating some of those goods and services. For instance, you’re mining a particular mineral, you’re mining cobalt, but you’re not in the production of lithium ion batteries, right. Or, you’re not in the production of smartphones, but you’re mining the raw minerals that go into them. Rwanda has set up a facility there for the mass production of mobile phones. And then Durban in a special economic zone, they’ve set up Mara Phones to make smartphones in Africa, for Africans.

What in your view are the biggest potential barriers to unlocking the potential that we’ve just discussed?

I have the incredible privilege of travelling the continent. Most young people in this continent don’t want charity. They just want the opportunity. But in many of those economies, the opportunities are locked out, they are concentrated in a power base of the few. The economies tend to be oligopolistic, that is to say dominated by a few large players with very little room for new space and new innovation. And the capital markets are not particularly deep, so even if young people want to do something enterprising, they don’t have the means to do so. Those are the issues that we’ve got to face. I think we have to create a new narrative by delivering new realities. It’s just that simple in my mind.

Africa accounts for a very small share of global FDI despite the huge potential of its natural and human capital. If you were talking to an overseas investors considering Africa, would you try to persuade them to make the jump?

It’s interesting you ask me that, because that’s literally the project I’m working on now. We’re busy raising a pan-African mezzanine fund that will look at highly industrialised technology. So, here’s the pitch. At a macro level, you’ve got a population that’s getting younger. You’ve got GDPs that are growing. You’ve got increases in levels of literacy and growth in the debt capital markets. All of these things fuel and are the inputs for a strong middle class.

The challenge, and this is what I say to global partners and investors, is that you have to see Africa for what it is, not for what it pretends to be. Africa in my mind is the US in the 1920s before the idea of a chicken in every pot and a car in every garage.

We have a long way to go, but I’m very excited. I always say this to global investors. There is huge opportunity in the short term for massive upside in Africa. Massive upside. But the real opportunity is in the long term. It’s buy to hold.

From your own experience creating numerous businesses and working with other entrepreneurs across Africa, what sectors and locations excite you the most?

That’s an interesting question. Africa is not a winners-and-losers economy, which the rest of the world tends to be. And the reason for that is because many of those economies have matured, so the only way one part of the economy can grow is if it steals market share from another.

That’s not the case with Africa. The base is so low that all the sectors are rising at the same time. So, textiles is growing, property is growing. If you want to move into alternative asset classes, cryptos are growing, forex is growing, financial services are growing. Then you look at IT, and that’s growing too.

In education, look at GetSmarter and its listing on the Nasdaq, and the valuation of that. You want to look at fintech, look at Stripe buying Paystack, and you get a sense of the opportunities.

So, you know, this is a part of my excitement about the continent. In Africa, for instance, you’ve got massive growth in residential housing but

> *There's a growth in retail chains that are looking for new markets, so they're moving from markets like South Africa, like Nigeria, into the rest of the continent.*

you've also got huge growth in the commercial sector. It's not that people are migrating from one to the other. That's not the case at all. It's that people are interested in getting across all of these because it's the rise of a continent that's been in the dark for 300 years.

Are there any specific real estate sectors where you feel there are opportunities?

If you're making an investment case social services, or what is called the cluster of social welfare, will continue to be a huge economic driver in much of the continent. This is because many governments don't have the capacity to deliver those social services. As a consequence, they then become privatised and, because they're privatised, there's huge opportunity for upside.

Partners of ours, for instance, operate a healthcare fund. They're listed in South Africa and in Rwanda and they're seeing huge opportunities for healthcare across the continent. If you're in financial services, again, hugely profitable.

If you're in education, you will have to be a bad operator with a bad business model and be a bad business person to not make money. The average African mother and father believes that their children's quality of life and their future prospects are 100% determined by the calibre of the education they receive. So for me, those three are big.

And then of course there's the constant underdog, and she's an underdog because it's not a sexy industry, but it's a hugely profitable industry if you can get the play right, and that's the agricultural industry. So, again, other partners of ours operate food funds. They've just bought an asset in Kenya, which is a dairy asset. The volume growth is unbelievable.

There's growth in retail chains that are looking for new markets, so they're moving from markets like South Africa, like Nigeria, into the rest of the continent. But they need to protect their supply chains, so they're signing huge contracts with single players to get goods into the rest of the continent. When you have a dairy asset that can produce and distribute goods from one country to 17 others, that's a hugely lucrative play.

So, this is why I said to you, it really is a rising tides elevating all ships, and to make all of this happen, a new asset class that will be doing exceptionally well is logistics, freight and transportation.

Do you think the pan-African free trade agreement that's recently been ratified is going to create more opportunities for intra-African trade, so Africa doesn't have to rely quite so much on the rest of the world?

Absolutely. I do. I think the Africa free trade agreement is a fantastic start. It really is. I only have one worry. What you really need is for individual regions and economies to collaborate where they have comparative advantage, not cannibalise each other. So, there's no point developing a huge industrial textiles centre in the east and then the west of Africa tries to do the same thing.

If you think about Africa as a single market area in my mind there's a real opportunity to say, "So how do we collaborate in the value chain that would mean the rise of Africa?" If you get into that, then what happens is you build an entire value chain of opportunities that can really elevate all the other parts of the continent.

You've got a real vision for the continent. Can you predict what the future holds for Africa in this next decade?

That's a very good question. I think there is a low road and a high road. The low road is a continuation of the vested interests in North America, Europe and Asia that uses Africa, by proxy, as a place from which to extract talent and raw materials, and by so doing not allowing the continent real opportunities to grow into her own stride.

It will perpetuate the strong man syndrome. It will create social instability. It will continue to create mass migration and all of those, as Europe has seen recently, sooner or later become a problem for the rest of the world. So, that's the low road. That's one scenario.

The other scenario, the high road, is that Africans themselves create an agenda for Africa. Last year, I travelled to this incredible place, it's a slave island off the coast of Senegal. I get goosebumps just thinking about it. Going through that experience and realising the voyage that slaves were put through and the period of time over which slavery happened, and then the realisation that slavery happened because in part it was facilitated by Africans, that there were Africans living here who were trading their brothers and sisters, selling them off to the rest of the world.

I realised then that is the danger of an Africa that doesn't have its own agenda. It is open to being exploited. This is why, when you asked the question about the free trade agreement, I said it's a good start. The real question is whether we can see each other as a single economy. Because if we can, then it means we have to have the ability as Africans to have deeply uncomfortable conversations. I am excited. Do I think it's possible? Dare I say, I don't think it will happen in yours and my lifetime. But I do think it's worthwhile for Africans themselves to really think how they build a home that they can be proud of, that can stand head and shoulders with its peers, the world over.

Biography

Vusi Thembekwayo is CEO of impact investment firm MyGrowthFund VCC. He was a "dragon" on the South African version of the TV show *Dragons' Den*.

For more from Vusi head to **knightfrank.com/wealthreport**

Market resilience

Against a backdrop of uncertainty, Africa's real estate sector is showing its strength

Africa calling

The case for investment across the continent is compelling, but too many investors risk missing out on the multitude of opportunities on offer

Words: Andrew Shirley

Despite accounting for around 17% of the world's population, Africa attracted less than 3% of global foreign direct investment (FDI) in 2019, according to UNCTAD.

A recent survey published by Standard Chartered bank, representing US$50 trillion of investment, found that only 3% of the assets under management were located in Africa. However, of those respondents already invested in the continent, 93% said they wanted to increase their exposure, while more than 50% said their investments had performed as well or better than those in the developed world.

"The perception of heightened environmental and social risk in emerging markets is just that: a perception. The reality on the ground tells a different story," writes Amit Puri, the bank's Global Head of Environmental and Social Risk Management.

John Félicité, Director for Africa at Ocorian, which offers fund administration, corporate, fiduciary and capital markets services, agrees. "Among the barriers to progress and attracting fresh FDI is a misconceived perception of risk.

"There are of course genuine concerns to be had, but due diligence is key. Foreign investors entering Africa for the first time can mitigate risks and capitalise on areas of high growth potential by partnering with the right professionals on the ground."

Adrian Mayer, head of law firm Charles Russell Speechlys' Africa group, believes there is plenty of potential for those prepared to do their research. "I am seeing an encouraging number of clients looking at investment opportunities and deploying funds across the continent," he says. Sectors of particular interest include renewable energy, secondary agriculture (see page 24) and real estate.

Although renewables are a good business proposition in their own right, Mayer notes they also tie in well with UN Sustainable Development Goal (SDG) 7 – affordable and clean energy, which Standard Chartered estimates represents a US$4.2 trillion opportunity for private investors. "Many investors will only put monies to work in Africa if done so in accordance with the Sustainability Framework of the IFC (part of the World Bank), which is aligned with the UN SDGs," he says.

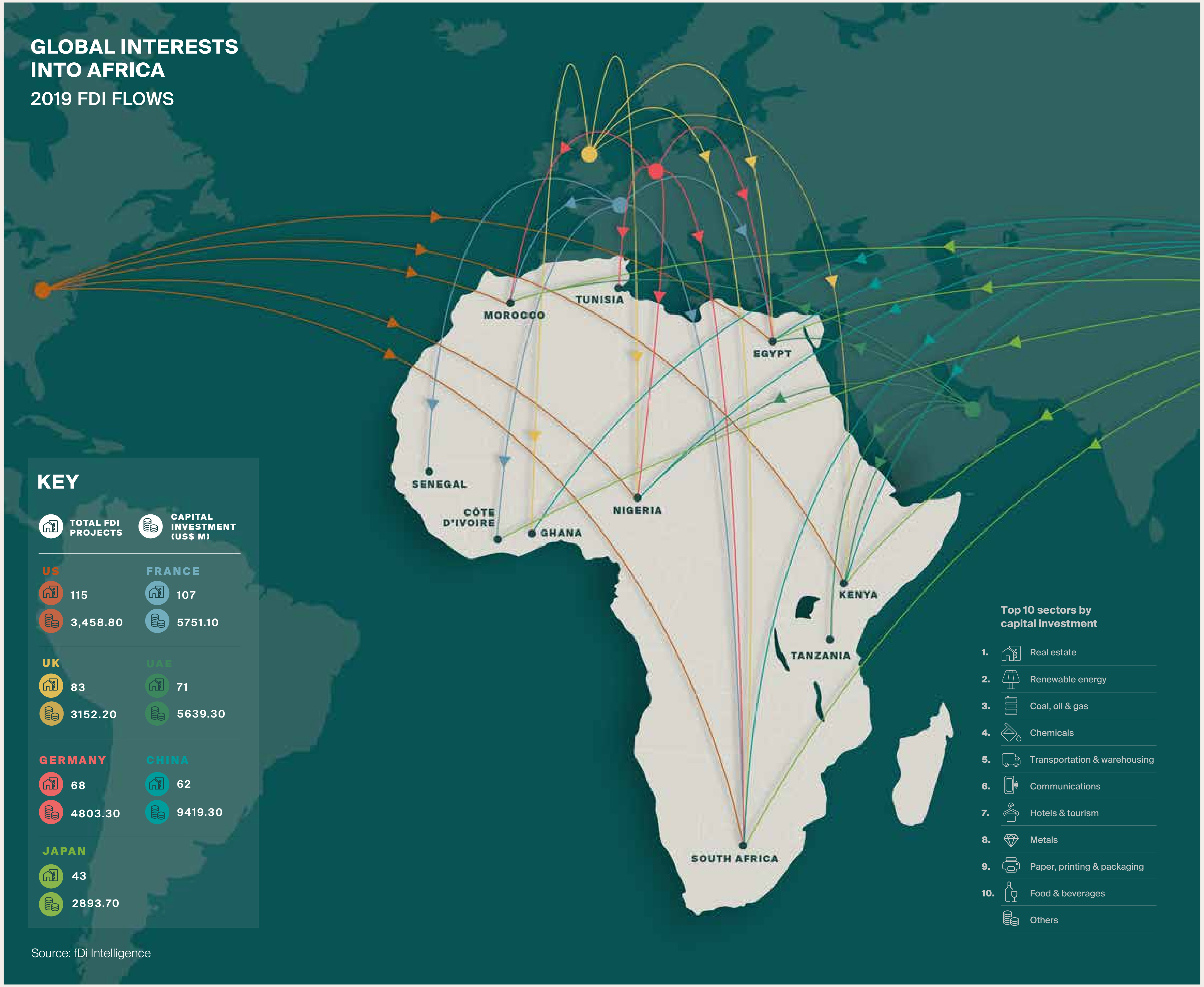
Fundamentals for growth

Areas such as banking, telecommunications and infrastructure also have significant scope to grow, points out Félicité. "The long-term fundamentals for economic growth are strong. Despite the pandemic pushing the continent back into a recession, its growing, youthful population still contrasts sharply with the ageing populations of most other regions.

"The continent currently boasts the largest share of adults with mobile money accounts in the world, and with almost 60% of its population under the age of 25, tech adoption and the fintech space will continue to expand."

A common criticism levelled at Africa is that too much of its GDP is based on extractive commodity markets, with not enough of the secondary processing and manufacturing capacity that powered Asia's economic growth. Nevertheless, a study from Groningen University, cited by *The Economist* magazine, shows encouraging signs of growth.

In real terms output is up by 91% since 2000, with the share of workers involved in the manufacturing sector in sub-Saharan Africa rising from 7.2% in 2010 to 8.4%. And, as venture capitalist Vusi Thembekwayo points out on page 4, the implementation of the African Continental Free Trade Area should provide a further boost to growth. Africa awaits.



Source: fDi Intelligence

Where is the money?

New research from Knight Frank's data science team provides an insight into who is investing in the continent's real estate markets

Words: Tilda Mwai & James Culley

Real estate data is difficult to obtain across different markets in Africa, and real estate transaction data is even harder to come by.

In order to better understand the impact of the Covid-19 pandemic on countries' ability to attract real estate investment, the Knight Frank data science team created an econometric model to analyse the key determinants of real estate foreign direct investment (FDI) into African countries between 2015 and 2019, and to further determine the relationship between real estate FDI flows and gross yields across different markets in Africa.

Determinants of real estate FDI

So, what are the factors influencing the amount of real estate FDI an African country receives? Using data from fDi Intelligence, we focused on identifying the main drivers behind variations in real estate FDI flows. These were categorised in terms of economic and demographic factors, including assessments of economic freedom and progress, using data sourced from Oxford Economics and The Heritage Foundation. Based on this analysis, we ranked the following significant determinants of the inflow of real estate investment to an African country:

Rank

1. **Foreign direct investment, US$**
2. **Judicial effectiveness**
3. **Financial freedom**
4. **GDP per capita, real, US$, constant prices**
5. **Property rights**

Influence on yields

To understand the relationship between gross yields and real estate FDI received in a country, we grouped the results of the analysis above into three groups of countries: those where the model predicted the amount of real estate FDI almost correctly; those where the model under-predicted the amount of real estate FDI; and those where the model over-predicted the amount of real estate FDI.

We then looked at whether there were significant differences between the prime yields of the countries in these three groups. The results strongly suggest that the relationship is a negative one. Broadly put, as gross yields increase, so does the amount of real estate FDI.

When we compare the three groups, we get these results:

Group	Average prime yield
Model predicted accurately	8.2%
Model over-predicted	9.2%
Model under-predicted	9.8%

In countries where there is a strong, stable real estate investment market, and hence low yields, the amount of real estate FDI is approximately what you would expect based on key drivers such as total FDI and GDP per capita.

Countries that have high yields received higher levels of real estate FDI than might be predicted based on the drivers identified in the model, as the returns that could be expected from real estate in those countries are seen as justifying the additional risk.

Countries that do not have such strong and stable real estate markets, but where yields are also not that high, receive less real estate FDI than expected as investors would rather invest in a stable market or one that offers the potential for higher returns.

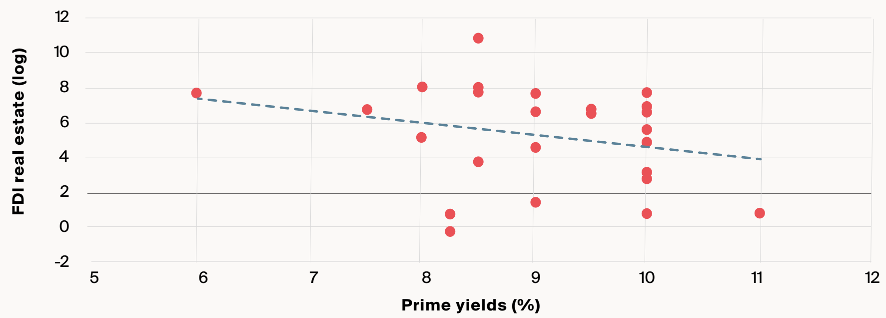
For example:

Ethiopia recorded prime yields of 6% in 2019. The actual real estate FDI into the country was US$2,000m while the model predicted US$2,900m.

Senegal recorded prime yields of 10% and an actual real estate FDI of US$2,000m compared with predicted real estate FDI of almost nothing.

Nigeria recorded prime yields of 9.5% and an actual real estate FDI of US$650m, compared with a prediction of US$5,800m.

REAL ESTATE FDI VS YIELDS ECONOMETRIC MODEL



Knight Frank Research, fDi Intelligence

Direction of travel

The Covid-19 pandemic hit Africa's tourism industry hard – so where does it go next? Africa Horizons quizzed three industry stakeholders on what the future might hold. We share a flavour of their thoughts here

Interviews: Andrew Shirley

OUR PANELISTS

Paul Milton
Founder,
The Milton Group

Ramsay Rankoussi
VP, Development,
Africa & Turkey,
Radisson Hotel Group

Ali Manzoor
Head of Hospitality,
Knight Frank ME

How badly has the pandemic affected the wildlife-based tourism sector in Africa?

PM The impact has been devastating. According to World Trade Organization figures, conservation tourism accounts for 80% of international travel to Africa, generating 24 million jobs and annual revenues exceeding US$40 billion. Domestic tourism has helped augment losses, but falls woefully short of providing replacement revenues to pre-pandemic levels.

Evidence suggests the annual cost of just "keeping the lights on" for Africa's National Park system by providing basic security management could be in the region of US$1 billion. This doesn't include privately managed conservation areas which have, in many cases, used tourism as a monetisation method to aid in their conservation efforts.

Job losses have been significant and the positive impact of the downstream multiplier effect that tourism revenues provide has been all but lost over the past year. Recovery to pre-pandemic levels will be slow and reliant on the international airline industry's recovery and vaccination programmes.

Post-Covid, how quickly do you think the sector will recover to previous levels?

PM It's difficult to predict whether the traditional source markets for Africa, the US and Europe, will in fact ever provide the same pre-pandemic demand. Most industry commentators agree that growth for African conservation-based tourism is likely to emerge from Asia. Local demand from within Africa is anticipated to continue in the two to four-star market sector, but with less demand for top-end products.

Singita Serengeti House, Grumeti Reserves, Tanzania

Go to knightfrank.com/africahorizons for more from our contributors

Will operating models have to change?

PM I think as we look to the future, conservation-based tourism is going to expand its baseline investment thesis and reduce its reliance on tourism alone by considering other integrated revenue streams within future investment models. We are seeing market evidence of models that include investment in agriculture, forestry, carbon and aquaculture, as well as supporting livelihood projects directly linked to tourism conservation programmes.

The top of the market consumer wants to see positive and sustainable impact being created and measured, demonstrating commitment to community, sustainability and long-term conservation management.

For investors, what do you see as the biggest emerging opportunities in the sector?

PM Private and institutional capital are vital to help safeguard Africa's natural and social capital. Tourism investment into Africa is a long-term investment model and has the potential to play a key role in securing biodiversity. But governments and the private sector need better alignment and a broader mindset with regard to how the biodiversity crisis is addressed and the conditions required to improve the investment climate for tourism.

These conditions can range from public-private partnership structures, the granting of longer-term and secure lease concessions, infrastructure investment support, incentives on duties and imported goods, and joint management agreements.

Concessions and leases will come up for renewal and there will be fewer investors and operators available to take on these renewals post-Covid. Opportunities may exist to consolidate areas of management and increase the scale and relevance of concession areas for more co-ordinated protection and larger wildlife management corridors.

The fact of the matter is that high-end eco-tourism industry is in crisis and we are going to see the need for significant reinvention and innovation in how investment in this market sector is undertaken and delivered.

How has the pandemic affected your expansion plans for Africa?

RR It has reinforced our decision to prioritise conversion opportunities and focus less on new builds. We anticipate a more prudent approach from financial institutions and the investment community which will translate in the short- and medium-term to a focus on take-overs, and leaner development with a focus on upscale and more cost-effective operations.

The new Radisson Red, Rosebank, Johannesburg, the second of the firm's trendy lifestyle Red brand in Africa

> "
> *It has reinforced our decision to prioritise conversion opportunities and focus less on new builds. We anticipate a more prudent approach from financial institutions and the investment community.*

Which segments are you focusing on – business travellers or tourists?

RR Our current presence mostly covers city and business hotels. Africa remains a strong business destination, given the emerging profile of the region and we still believe in that sector. In the short term, we expect a rise of leisure and intra-regional demand, which will drive domestic tourism in some cities and in particular on the leisure side.

Is the ratification of the Africa free trade agreement likely to have a significant impact on intra-continental business travel?

RR The trade pact will ease activities around procurement, logistics and sourcing of supplies. Accordingly, we could indeed anticipate a positive stimulus of regional economic activities that will lead to new sources of business demand for the hotel industry. Many industrial sectors and other service industries will benefit from the agreement, which will increase free movement of goods and people – the fundamentals of travel and tourism.

Geographically, which areas of the continent have the most potential for growth?

RR We have established a clear growth strategy which is tailored around two pillars. The first focuses on four key countries: Morocco, Egypt, Nigeria and South Africa, which represent the largest growth potential. Each country can easily welcome ten additional hotels within the next three to five years, across all our brands.

Second, we are reinforcing our presence across neighbouring countries to leverage those synergies and economies of scale. Most of our portfolio has been across English-speaking countries in sub-Saharan Africa and we are now also balancing our presence with growth across Francophone Africa.

Will Covid-19 impact on the design of hotels and the type of accommodation and services offered?

RR We don't anticipate a change in design, but we certainly foresee positive growth in more efficient design and upscale properties, as well as serviced apartments, especially when catering to business travellers. In the leisure segment, we foresee more facilities outdoors and a stronger focus on privacy.

What are the greatest hurdles to hotel investments in Africa today?

AM The hotel investment market in Africa has always had its challenges. While we have seen pockets of innovation in response to changing market conditions, the underlying barriers to hotel investment remain the same today as they were a decade ago. First, the enforceability of contracts is an issue in many African markets and, as such, robust due diligence checks that go far beyond those typical of more developed markets are essential. Second, obtaining finance remains a challenge due to prohibitively high interest rates. Inbound investments are typically funded from abroad, with foreign assets as collateral.

Third, ease of access remains a challenge and while there have been efforts to ease visa requirements for both inbound and domestic travellers in recent years, the lack of inbound connectivity to many African markets is problematic.

There is also a tendency for inbound investors to have a distorted sense of risk because they view Africa as a single unit rather than a collection of individual nations. As a result, what sometimes happens is that perceptions of one nation are reflected on all nations. For example, when considering political risk, an investor may believe that risk is high in one market because there is political unrest in a completely unrelated one.

What solutions do you think should be in place to address these hurdles?

AM Given the setbacks that the industry as a whole has faced in recent years, it is now more critical than ever for these underlying constraints to be addressed for the long-term health of the sector. Of these, a strong regulatory framework designed to protect inbound investment and increased accessibility of development finance should be a priority.

Shopping list

Africa's retailers were initially hit hard by the Covid-19 pandemic, but with the help of some innovative thinking they are already bouncing back. We look at six of the trends driving the retail recovery

Words: Marc Du Toit

01. TOUCH-FREE SHOPPING

In a Covid-conscious world, demand has increased for contactless payment and touch-free shopping. While poring through the menu at your favourite restaurant or spending an afternoon in the fitting room formed a big part of the pre-pandemic shopping ritual, retailers are now investing in reinventing the experience. Initiatives such as mobile money payments and trying on clothes virtually, as well as scan-and-go applications, are becoming more prominent across Africa. Retailers such as Woolworths in South Africa have launched contactless drive-through services, allowing shoppers to order online and collect without leaving the car.

Almost 90% of South Africans have been using contactless methods to pay for groceries, according to a Mastercard survey, while 70% of respondents across the Middle East and Africa indicated they had been using some form of contactless payment since the onset of the pandemic.

02. THE RISE OF THE SUPERMARKET

Prior to the pandemic, consumers in Africa's major cities generally preferred local convenience stores to the big box supermarkets. Supermarkets, characterised by neon-lit aisles, well-packaged products and air-conditioned stores, were considered expensive by consumers, with the result that growth throughout the continent has been sporadic. However, social distancing measures and the logistical impact of the pandemic on informal traders has seen a shift in consumer shopping preferences, which has underpinned the rebound of the formal retail sector across the continent.

03. APPAREL BOUNCES BACK

Apparel stores were one of the most distressed retail segments across the continent at the onset of the pandemic. This resulted in market exits by retailers such as Mr Price in Nigeria and the collapse of Deacons in east Africa.

However, as a result of remote working there has been a shift in demand towards casual clothing and workout apparel. Further, the ban on international travel redirected demand towards Africa's branded fashion retailers. As a result, these retailers tripled their sales turnover compared with pre-Covid levels in cities such as Nairobi, Kampala and Gaborone. This trend is expected to continue to be underpinned by middle- and high-income consumers across the continent in the short to long term.

04. CLOSER TO YOU – THE SUBURBAN RETAIL BOOM

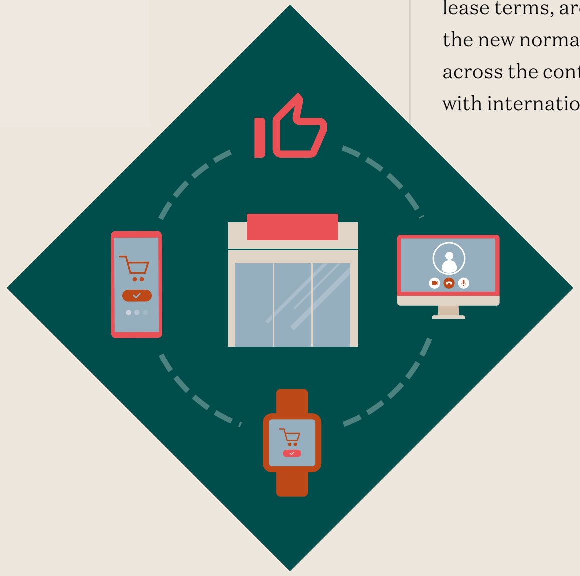
Traditionally, retail in African markets has been centralised in and around business districts and inner cities. However, with more consumers working from home and fewer daily trips to downtown nodes, consumers have engaged more with suburban retail, leading to significant growth in turnover in these areas. As a result, there has been increased interest and relocation by retailers to suburban areas, creating a broader tenant mix and offering more variety closer to home for consumers. This has served to enhance the shopping experience and cement the role of suburban retail in the future of shopping across Africa.

05. OMNI-CHANNEL PRESENCE – THE END OF THE DEBATE

The online versus bricks-and-mortar retail debate has raged on for more than a decade now in sophisticated retail markets. With the anticipated death of the store, major changes in retail strategies and delivery of product to consumers have occurred.

While Africa has not been left behind during the debate, digital retail penetration remains insignificant with less than 1% of retail sales being generated online. Lockdowns, therefore, represented an unprecedented opportunity for online retail to gain momentum.

While online retail sales did indeed surge during the onset of the pandemic, they have now plummeted with the easing of lockdown restrictions. This highlights the continued relevance of physical stores to African shoppers. The future ecosystem is therefore likely to see omni-channel platforms forming the foundation for retailers with bricks-and-mortar stores.



06. LANDLORD TENANT RELATIONSHIPS – THE NEW NORMAL

Landlord and tenant relationships have traditionally been transactional in nature. However, lockdowns and the forced closure of businesses due to the pandemic presented a new dynamic for both parties to compromise and collaborate in order to attract and retain consumers.

The willingness to make trade-offs, such as the adoption of turnover-based rent models by some, and greater flexibility on lease terms, are anticipated to underscore the new normal in tenancy agreements across the continent, ultimately aligning with international best practice.

Are you being served?

Property economist Professor François Viruly tells Tilda Mwai why he thinks the Covid-19 pandemic could speed the adoption of real estate as a service across Africa

How do you think the Covid-19 pandemic will change the real estate sector permanently in sub-Saharan Africa?

I think what Covid-19 has given us is a trailer of what property markets and uses of space we will be dealing with in the years to come. It has opened possibilities that were previously closed. You know, if a year ago you had sat in a boardroom and said, "Hey, how about sending everyone home for a few months?", you would probably have been chased out. It would have been an impossibility.

However, I do not want to confuse some of the longer-term trends that were already with us prior to Covid-19. Trends like co-working, co-living and e-retailing have been with us for quite a while, both locally and internationally.

A few countries could find themselves with debt problems. There is little space to bail out companies across the African continent. However, I think what has become clear is that there is a lot of flexibility in many companies in Africa. In facing uncertainties on a continuous basis, they have had to learn to adapt.

Of the new opportunities, what excites you most?

I think the use of the internet could start offering new opportunities in our suburbs. Rather than working from home, I think the point which is coming across is, can I work closer to my home?

I mean, working from home for many people is fine if you have an office and you're comfortable. However, with poor internet and limited space, the idea of working close to home becomes an important issue.

In the same way, I believe the retail sector will now be permanently changed by the internet.

However, the last mile across this continent is very complex. Some people have addresses, some people do not have addresses. How do you get goods to the final point?

We have seen interesting examples in places like Kibera in Nairobi, where the goods go to the entrance of the township and then guys on motorbikes take the goods to the shopper because they know who's who and where they live, in instances where an official courier would almost certainly get completely lost. So, we will find our ways.

We are observing in some cities logistics moving into the city centres where previously they used to be 10 or 15km away. This will usher in last-mile opportunities for logistics space closer to where people live and support the delivery of all these goods.

I think there is also opportunity for shopping centres to diversify beyond shops. This will go beyond the buying of goods to the buying of services like education. In addition, our neighbourhoods will evolve beyond mixed use to become home, work, play and education hubs. Overall, I think we will become more imaginative in how we do things. For example, anybody putting up a flight tracker at the moment will see balloons above Kenya at 6,000ft, which are now covering the country with WiFi. So, I also believe that the opportunities are going to move and will focus around smaller towns and our suburbs.

> *"I believe that property owners and companies are going to look much more like hotel groups than the property companies we have known in the past, and branding is going to become important.*

You have long argued for the "hotelisation" of real estate, where space is increasingly thought of in terms of services provided. Are we likely to see this adopted across the continent?

In the past, the real estate sector was about selling gross rentable area. I think that is fundamentally going to alter. So, using the analogy of a hotel, when I book a room, my brain does not say I'm renting 40 sq m for three nights. That's not the way I think. I use that space for the services that come with it. I believe that in the future property owners and companies are going to look much more like hotel groups, and branding is going to become more important.

In other words, when I am at a Radisson, I know I'm at a Radisson. I am always amazed how little branding happens around property companies. Why? Because I suppose if you sell square metres, it's not that important. But when you start selling a service, it starts to matter.

For example, in the residential sector in the US, there are flats now being built with no kitchen. How often have you been in a hotel and said to yourself, I could live here? So, you start picking this up in the residential sector, where you have cafeterias, places to eat and lounges in shared areas.

However, in the office sector, it is a bit different. Once you start offering services, those services are, first of all, not just limited to the building itself. They also encapsulate the urban environment around the building. So, the users will also be keen to interact with the outside environment beyond the office block.

What does this mean for investors and developers?

What becomes important is facilities management. In the past people have appreciated the importance of the work environment and of being able to organise that environment the way that they would like to see it. It takes you about two minutes if you walk into a hotel to come to a conclusion whether it is functioning properly or not and I think this is going to be the same for offices. Taking this to the extreme, I would argue that the money is not necessarily going to be made on the rental; it will be made on the service that is being provided.

As I mentioned earlier, branding will also be core. So, if I am a property investor, I know that if I go to a similar building somewhere else in the world, I am going to get the same service. That is probably one of the important changes to come. Users of space, whether in Johannesburg, Nairobi, Luanda or Lagos, will get the same service.

The other thing is that there is this mismatch in property. We build for 40 years ahead of us and we take a long-term perspective, we do discount cash flows on ten years and beyond, yet we have users who really cannot see beyond the next three or four years.

I think it is interesting how that mismatch happens, and I think that is where the provision of space on a short-term basis starts bridging the difference between the two. Especially in places across this continent where macro-economic uncertainty is high, users will be looking for flexibility. If you are in the oil business and you're an exploration company in Kampala or in Lagos, you'll be looking for that flexibility.

> *"We are observing in some cities logistics moving into the city centres where previously it used to be 10 or 15 km away.*

How is this trend likely to influence financing for development, especially in sub-Saharan Africa?

What we will probably see is financing arrangements that are again not that different from what we see in the hotel companies, where the actual ownership of the hotel building is split from the management.

This will be based on the building having a strong management agreement attached to it in the same way that hotels do, so that we split the operation pretty much from the property. It is not enough to say, "Well, thank you for renting the space, now plonk your desks down and enjoy it". There is still going to be a lot of that in Africa, let's not fool ourselves, but what we are discussing now is a service that I think will find its way very rapidly to the property markets, as we have seen elsewhere.

In terms of supply and demand indicators, what we see now is the property market starting to function in a different way in the type of leases that are wanted. We are likely to see a form of Airbnb for the commercial property market. So, the way we think about the property market and the way it functions starts altering. Of course, when I talk of Africa, it is a big place with big differences in the way legislation works. In South Africa alone, we have 2.5 million sq m of office space floating around the market now. So, I can assure you that we're going to find innovative ways to work with that.

In conclusion, what is the main opportunity arising from this emerging trend that you think investors should leverage?

The big positive is that we have a young, enthusiastic population, while the rest of the world is talking about a growing elderly population. From a consumer perspective that offers opportunities. I think there is also an opportunity to bring technologies very quickly into a market and to have our property markets leapfrog over one or two of the steps that markets in other parts of the world have had to go through.

Professor François Viruly is an associate professor at the University of Cape Town, a property economist and Executive Director of the African Real Estate Society.

Our view

With service-led real estate rising steadily up the agenda, Knight Frank experts from across the continent share their thoughts on the trend – and what it means for their real estate markets

Ian Lawrence
Consultant, Knight Frank EMC

There is no doubt the Covid-19 pandemic has accelerated trends in Africa and globally. However, Africa's 54 countries are all at different stages of development and each of their real estate sectors will react to the pandemic in their own way. What remains to be seen is how advancements in technology will allow those countries to "leapfrog" existing technological cycles and how many yet unknown technological innovations will be born out of Africa.

Charles Onyenze
Partner, Knight Frank Nigeria

Across Nigeria, we are likely to see a redesigning of residential floor plates to reflect the need for private offices and studies; more like an intensive live/work concept fully integrated into residential apartments. I anticipate that this concept will in future be backed by legislation and regulations by physical planning departments at various governmental levels. Across the commercial real estate sector, occupiers are expected to align towards quality service, driven by excellent facilities management services as opposed to merely focusing on square metre purchases or leases. Hence, in the near term, we expect to see property owners, facilities management companies and services management experts collaborating for better service delivery.

Winnie Gachagua
Corporate Real Estate Services Manager, Kenya

While we were already experiencing low absorption, the current pandemic escalated the situation and forced landlords to become more innovative and competitive in a bid to attract tenants and improve occupancies. A few have seized the initiative by improving the quality of otherwise shell and core spaces to Grade A standard, or offering to fit out space to client specifications then amortising the cost in rent. Most notably – and unique to this market – a few have set up serviced office centres within their buildings to accommodate tenants looking for lease flexibility.

Sharon Kamayangi
Occupier Services Representative, Uganda

Real estate as a service is expected to continue to form an essential part of the property sector long after the pandemic. In Uganda, we anticipate this will usher in new ways of doing business through increased technology adoption and flexible working. These factors are set to create new opportunities in the real estate sector. Guidance on space optimisation, co-working and office restructuring for occupiers have become key areas of focus, reflecting the increased opportunities for real estate firms. Ultimately, it is the adaptability of real estate firms to this "new normal" that will determine who will thrive in the current and future economy.

Innovation

How new ways of thinking and a step change in connectivity are fuelling growth

The heat is on

Climate change is set to have a profound impact on Africa's rapidly expanding cities over the coming decades. With the help of Knight Frank's specialist Geospatial team, we explore what the future holds for urban dwellers, businesses, entrepreneurs and investors

Words: Tilda Mwai

Geospatial analysis: Cameron McDonald

The allure of cities is strong. For millennia people have gathered in them to trade, learn and have fun, resulting in productivity, innovation and, ultimately, economic growth.

Twenty-first century Africa epitomises this trend: the continent is expected to record the highest rates of urbanisation anywhere in the world. UN-Habitat estimates that 700 million additional people will move to the cities of Africa over the next 35 years. That means an entire New York City will need to be built – every six months. And, with a rising youthful demographic, half of these new city dwellers will be under 35.

But with more and more people vying for space in them, Africa's cities are getting warmer. The Köppen-Geiger climate change predictions for 2050 illustrated in the map on the opposite page shows how the impact of these changes will be felt in African cities, in two distinct ways.

First, a combination of the urban heat island effect combined with global warming will have a direct impact on the environment within the cities themselves.

Scientists define the urban heat island effect as the resultant impact of ongoing human activities such as construction on the urban environment. As a result, air, surface and soil temperatures in cities are almost always higher than in rural areas. For example, over the past two decades, temperatures in London have at times been up to 5°C warmer than in nearby rural areas. Nairobi has recorded an average air temperature increase from 18.8°C in the 1950s to 19.5°C in 2000s.

While urban heat is yet to reach alarming levels in Africa, increasing urbanisation rates look set to have a significant impact on the climate. Our map indicates that extreme weather changes are predicted in central and southern Africa, including in the capital cities of Lilongwe, Malawi and Lusaka, Zambia. These areas are anticipated to shift from a warm humid sub-tropical climate to a savannah climate. Further, in Ethiopia and Kenya, in the suburbs of Addis Ababa and Nairobi, a shift from a humid sub-tropical highland warm climate to a tropical equatorial savannah climate is expected.

Second, extreme weather changes in rural areas are anticipated to impact on agriculture as a main source of livelihood, ultimately driving still more people to the cities.

In west Africa, the changes are mostly occurring in the rural areas of Togo, Nigeria and Cameroon and central parts of Gambia, Senegal, Burkina Faso and Chad, while in Mali, changes in climate are occurring near the capital city of Bamako. These areas are predicted to change from equatorial savannah climates to semi-arid. In other areas, such as Burkina Faso, longer dry seasons are expected, leading to increased drought and desertification resulting in increased rural to urban migration.

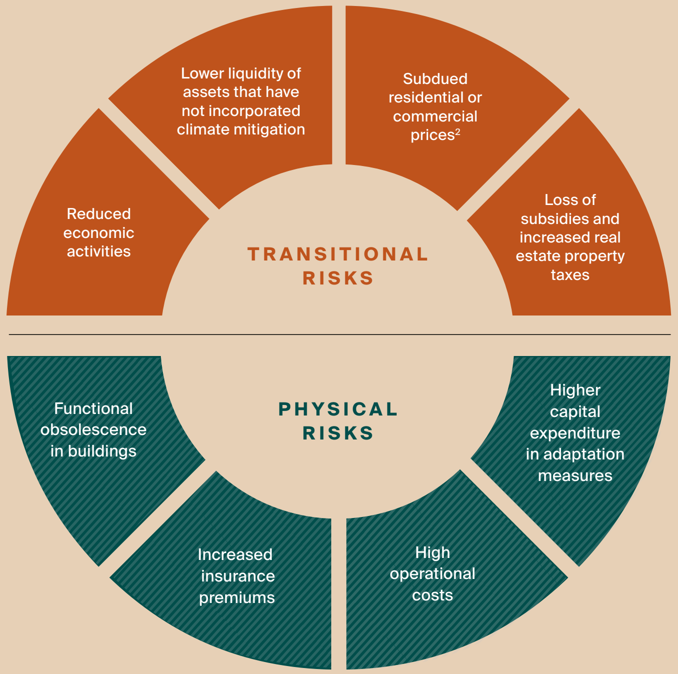
Like many crises before, Covid-19 is likely to inspire an evolution. Fixing our cities is anticipated to be the most urgent post-Covid challenge. While there is no simple solution to climate change itself, it is the built environment that poses the greatest challenge. A report into the efficiency of green infrastructure treatments by researchers from Portland University indicates that urban heat is impacted by six main factors.

These can be grouped into two categories, natural and human-built. The first category includes such natural elements as ground level vegetation and the height and volume of tree canopies. The second category includes human-built elements such as the volume and colouring of buildings, and variations in their heights. Although creating cooler cities does not necessarily mean building at lower densities, adapting the built environment to absorb increasing heat intensity through green infrastructure is the first step towards mitigating climate change challenges in African cities.

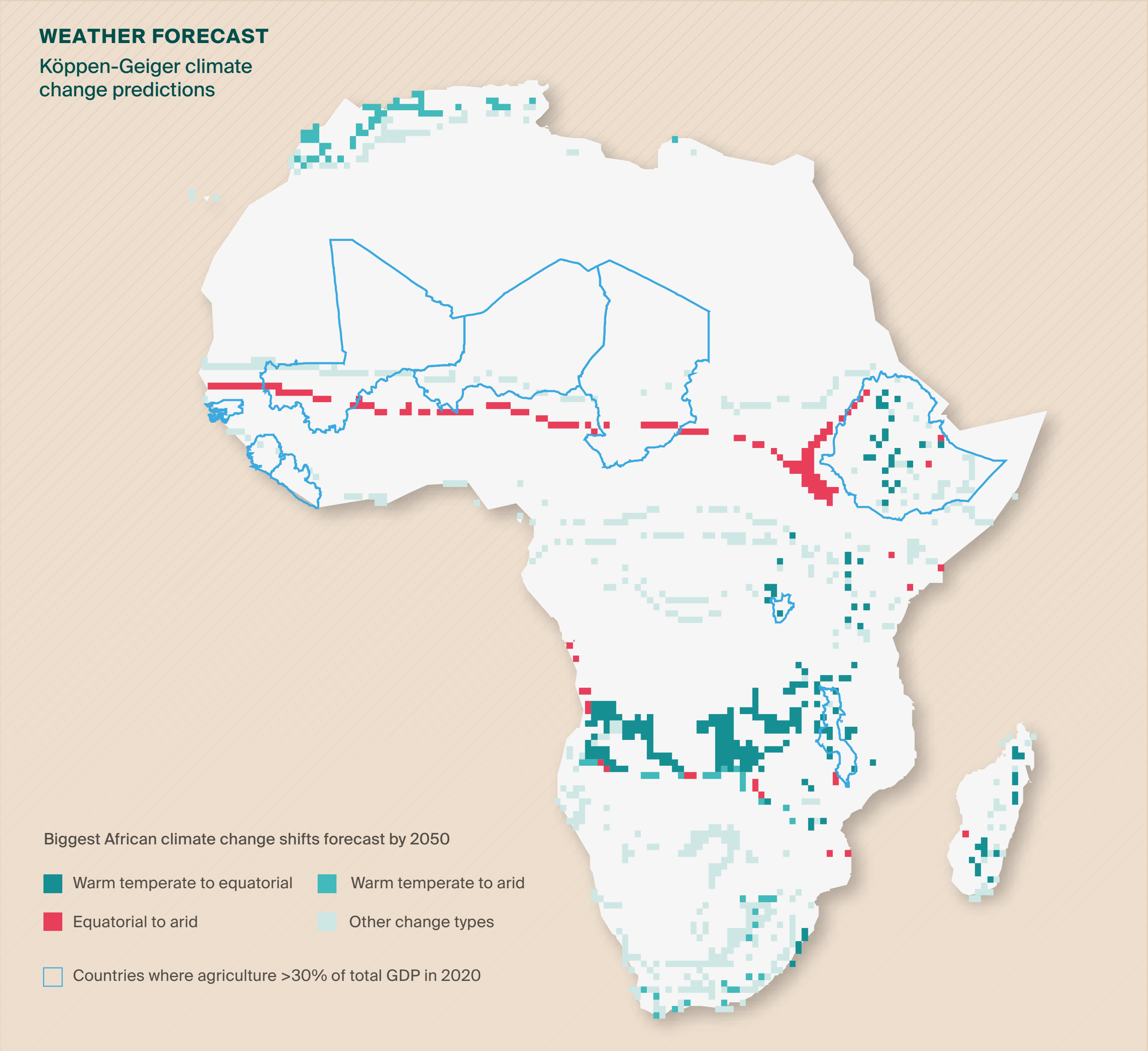
Already, green urban development has emerged as a priority for most of the cities across the continent. The World Bank notes that incorporation of substantial green open spaces in developments remains the most cost-effective strategy for maintaining high levels of environmental quality in African cities. Cities such as Durban and Dar es Salaam are already leading in these initiatives across the continent.

While the trends mentioned above may present challenges, they also herald an exciting era of innovation and opportunity for developers and real estate investors prepared to adapt and work closely with environmentally-focused entrepreneurs, architects, designers and urban planners.

CLIMATE CHANGE RISKS TO REAL ESTATE



Source: Urban Land Institute



“The move towards ESG investing is not just occurring at global level but in Africa as well.”

The green machine

One theme will dominate headlines, markets and investment decisions in 2021. It won’t be pandemics, economics or market cycles; it will be ESG. Two of Knight Frank’s sustainability experts explain why these three letters matter so much to occupiers and landlords when it comes to African real estate

Anthony Duggan, Head of Global Capital Markets Research
David Goatman, Head of Energy, Sustainability & Natural Resources EMEA

INNOVATION

ESG, or to give it its full description, environmental, social and governance factors, has seen a dramatic acceleration during 2020. No longer just “the right thing to do”, understanding and delivering on these dynamics is now a business imperative.

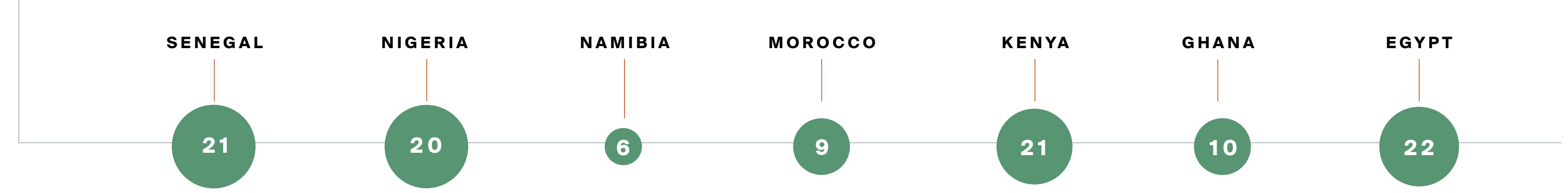
Why will this impact real estate? Well, if the world is going to reach the targets set as part of the reaction to the globally recognised “climate emergency” then real estate needs to play a part – and it must be a significant part, as 36% of all carbon emissions originate from the built environment. Governments, regulators and all of those looking to have an impact will have to work hard to bring this figure down.

So, expect regulation and reporting to continue to intensify. And this will increasingly mean investors putting pressure on asset managers to fall into line and to deliver the ESG performance they need to show.

At the same time, the end user – the property occupier – is also working on their own impact agenda and will be demanding that the real estate they commit to has the required characteristics to be part of their own decarbonisation solution.

The move towards ESG investing is not just occurring at a global level but in Africa as well. For decades, ESG principles across the continent have been reflected through investment by development finance institutions. With rising institutional capital flows into real estate across the continent, adoption of ESG standards by investors such as Actis is serving as a benchmark for investing.

GREEN BUILDINGS IN AFRICA



Sources: World Green Building Council, Green Building Council of South Africa

The upshot of this rapid shift in perspective around ESG factors is that property investors now have an additional set of criteria to consider when buying, selling or redeveloping assets. Appraisals and valuations will increasingly be looking across factors such as the performance of the physical asset itself, the locational risk of where the asset is located and, increasingly, an understanding and measure of the tenant counterparty risk. Collectively, this risk assessment is referred to as Climate Value-at-Risk, or CVaR.

The cost of not understanding this dynamic and not applying it is likely to be significant, even if the investor is not governed directly by the reporting and regulatory standards. What we are seeing in the market now is that those assets with the ESG characteristics that investors are increasingly looking for are experiencing a short term “green value premium”. However, over the longer term our house view is that an increasing awareness of the transition costs of bringing assets up to “institutional” ESG standards plus the other measures impacting value calculations will mean that buildings with poorer climate performance will increasingly see value eroded.

This discount will continue to accelerate towards what is likely to be a cliff-edge “brown value collapse” on the not-too-distant horizon for those assets that cannot match the standards required. This cliff-edge is not dissimilar to that being experienced by the “stranded assets” of oil and gas companies.

ESG is the biggest threat to real estate performance since the global financial crisis, but investors will not be rescued by cyclical market dynamics. Understanding the risks and, of course, the significant opportunities this brings will be the hot topic globally in 2021.

The E in ESG

ARTURO PAVANI, TILDA MWAI

Globally, sustainability has perhaps been the strongest driving force for ESG in real estate. There are now more than 120,000 green-rated real estate assets in clusters spread around the world.

Across Africa, the built environment landscape is set to change, adapting to local needs for real estate with a greater emphasis on sustainability underpinned by increasing urbanisation and rising populations. African cities and urban populations are set to grow at an unprecedented rate of 3.5% per annum. By 2050, Africa’s cities will be home to 1.3 billion more people than today, resulting in increased demand for buildings – with 80% of those that will exist in 2050 yet to be built.

There are currently approximately 700 certified green buildings in hotspots across the continent with the most dominant rating tools being Green Star (Green Building Council of South Africa), the LEED rating system (US Green Building Council) and EDGE (IFC). While South Africa continues to account for more than three-quarters of these buildings, rapid green growth has been witnessed across the continent, underpinned by a range of factors.

These include the changing legislative tide across countries such as Rwanda, where the Rwanda Green Building Minimum Compliance standard is mandatory for all upcoming commercial developments. In Ghana, the launch of the Eco-Communities and Cities National Framework has seen green buildings grow in popularity and the development of iconic buildings such as the Atlantic Tower in Accra. In Morocco, sustainable development is now a national priority, following the adoption of the National Sustainable Development Strategy.

Increased demand for green buildings can also be attributed to the availability of a broad range of financing options for investors and developers. As of October 2019, the Stockholm Sustainable Finance Centre notes that green bonds in excess of US$2 billion had been issued in Africa. Kenya’s Acorn Holdings’ green bond, focused on purpose-built student accommodation, was the most notable for the real estate sector so far. Further, increased availability of green financing from financial institutions such as Housing Finance in Kenya is providing a green mortgage credit line of up to US$20 million.

In addition, as they mainly rank as Grade A developments, the majority of the sustainable commercial offices developments across the continent have a greater tenant retention capacity resulting in income resilience and increased investor interest. As indicated in our *Active Capital* report, it is important that buildings reflect the ethos of the brands that operate within them. Therefore, as occupiers increase their focus on sustainability, occupation of green buildings becomes a very visible way to demonstrate their commitment to the cause.

Although the certification of green buildings can be challenging, especially in markets without set guidelines, sustainable buildings will go a long way towards influencing resilient returns by ensuring tenant retention and reducing occupancy costs in the medium to long term.

THE ESG PREMIUM

Landlords

- Sustained demand as a result of occupiers’ preference for buildings that reflect their ethos and values
- Higher rent premium and value preservation for green-certified buildings

Financial institutions

- Regulatory compliance
- Tax relief or exemptions on qualifying assets such as green bonds

Portfolio

- Reduced business risk
- Access to “green” finance for energy and resource efficiency projects
- Product diversification
- Brand and reputation growth above peers

"In 2020 our investments directly benefited 386,000 people economically, helping to increase smallholder farmer incomes by approximately US$300 annually from a baseline of US$600.

Food for thought

Focusing on positive impact doesn't mean sacrificing profits as one of Knight Frank's valuation clients, Africa's largest agricultural investment fund, has amply demonstrated. Africa Horizons *discovers the recipe for success*

Words: Andrew Shirley

When a closed-end fund reaches the end of its lifespan, success is usually measured in terms of income and capital appreciation. But for the managers at SilverStreet Capital it goes beyond that.

The African agriculture specialist is evaluating options for its Silverlands I portfolio, the continent's largest agricultural investment fund, which was launched in 2011. Its investments include processing, primary production, beef and poultry assets across South Africa, Namibia, eSwatini, Zambia, Tanzania, Kenya, Uganda and Mozambique.

SilverStreet's objective is to seek attractive returns for investors at the same time as achieving a substantial positive social, environmental and climate impact. Chris Dravers, an associate director in their investment team, says that their clients are keen to understand the impact outcomes their investments provide, as well as the returns.

"In 2020 our investments directly benefited 386,000 people economically, helping to increase smallholder farmer incomes by approximately US$300 annually from a baseline of US$600. This resulted in an annual increased community income of US$116 million," he says.

Dravers' colleague Luke Lowsley-Williams – SilverStreet's environmental, social, governance (ESG) and impact analyst – emphasises that these community benefits aren't so much a by-product of the fund's performance, but integral to it. "By investing to construct or fix a value chain a 'wave' of impact is unlocked," he says.

"By unlocking the value chain, the businesses benefit from increased scale and the smallholder farmers benefit from, for example, access to improved inputs, training and markets. This enables the businesses to grow alongside the positive impact. Most of the world's population growth will occur in Africa over the next three decades, and this presents a unique opportunity to meet demand, reduce poverty and mitigate negative climate and environmental impacts. Building functioning agricultural value chains is integral to achieving this goal."

Starting small

SilverStreet believes that investment in Africa is best focused on the region's most important food producers – smallholder farmers who, with their families, still account for an estimated 60%+ of the sub-Saharan African population. Smallholder farmers typically grow low-value subsistence crops and achieve very low yields when compared with global averages. They also form the lowest income sector of these economies.

"These farmers have significant capacity to ramp up production. To improve productivity, smallholder farmers need high quality inputs, such as high yielding hybrid seed; on-farm support, such as training in conservation farming techniques; and markets for high-value products," says Lowsley-Williams.

"There is a material productivity gain that can be achieved on smallholder farms by increasing yields, with a doubling possible in some important crops. By fixing value chains, offering technical assistance to smallholder farmers and providing markets for higher value crops, incomes can increase dramatically."

Above: The funds run by SilverStreet Capital invest in the latest technology, such as this deciduous fruit packing plant in South Africa, to help modernise Africa's food chains
Previous page: Careful project selection such as this Namibian table grapes vineyard helps boost returns

Adding value

When it comes to deciding where to allocate funds, pre- and post-farm gate opportunities are often the driver, says Dravers. "We are particularly looking for incomplete value chains that hold significant potential for growth."

The fund's rejuvenation of the Tanzanian poultry sector, which was being held back by under-performing breeds and low-quality feed, is a very good example of how financial returns can go hand-in-hand with creating a positive impact.

A lack of accessible protein was resulting in high levels of childhood growth stunting in Tanzania. This can in part be solved by "fixing" the poultry value chain as one egg per day can halve the risk of stunting. Soya beans, which provide the main source of protein in chicken feed, was not grown in Tanzania because there were no soya processing facilities. This hampered the poultry value chain, which instead relied on salmonella-ridden and unsustainable fishing.

To solve this, SilverStreet invested capital into Silverlands Tanzania to build the country's first soya processing plant and a large feed-mill. This made it viable for surrounding smallholders to produce soya, a high-value crop, to be processed into improved poultry feed. New modern and more efficient poultry breeds, in particular the dual-purpose and free-range Sasso breed, were then introduced and are sold as day-old chicks. Silverlands developed a national network of 18 distribution centres supplying over 300 agents, and provides skills transfer to smallholder farmers via the Silverlands Poultry Training Centre, online portals and a team of extension officers across the country.

The business expanded rapidly from a standing start and is now benefiting 116,000 smallholder farmers directly, around 70–80% of whom are women. These include 15,300 grain smallholder farmers who supply the business with soya, around two-thirds of whom are women and 100,400 poultry smallholder farmers. In 2020, over 43,000 tonnes of feed and 11 million day-old chicks were sold, from zero in 2013.

"We have unlocked the entire value chain for the benefit of smallholder farmers, improved local protein availability and ultimately created a profitable investment for our investors," points out Lowsley-Williams.

> *"Sourcing top talent can be more challenging in countries that are harder to operate in, but we work hard to ensure we have the right people at all levels.*

Risk management

An impact approach to investing can also help to mitigate some of the challenges of operating in Africa, which Dravers likes to divide into two buckets: macroeconomic- and political-related risks; and execution risks.

"Macro-related risk mitigation starts with careful selection of countries and we have developed a risk scoring system that is quantitative but with a subjective overlay. We spend a lot of time in our investment appraisal process finding optimal locations, not only climatically but also by having good infrastructure and good market access."

"For example, we grow table grapes in a unique location in southern Namibia. It not only has strong climatic advantages, with no frost or hail, but the business is able to harvest during a pre-Christmas window when global supply is limited, allowing us to command a premium price from our European supermarket customers."

To manage political-related risk, certain businesses are covered by political risk insurance provided by the US Development Finance Corporation and MIGA, a department of the World Bank. Delivering a genuine social impact also helps mitigate risk, Dravers says. "Providing positive outcomes for local communities and smallholder farmers allows us to receive support from the government, who understand the importance of both developing the agricultural sector and inward private investment."

When it comes to risk management, putting in place top management teams with deep sector experience is the key mitigation that helps overcome most challenges, reckons Dravers. "Sourcing top talent can be more challenging in countries that are harder to operate in, but we work hard to ensure we have the right people at all levels."

Future plans

The sale of the businesses owned by the Silverlands I fund offers investors the opportunity to benefit from the work of the SilverStreet team, but there will be a rigorous vetting process to ensure investors share the same ethos. And while individual businesses will be of interest to some parties, the real potential for value creation lies in the whole, claims Dravers.

"When the portfolio was initiated, the thought process wasn't just about individual opportunities, it was about creating a platform of assets diversified by both sector and geography. This was to manage fund risk and also develop something of scale that would appeal to a wider number of buyers and investors. We believe there is a good opportunity for like-minded investors to build on this platform and create a single regional agribusiness."

SilverStreet is also continuing to deploy its second fund, Silverlands II, set up in 2016 and so far has made three investments, one in the seed sector in Zambia, one in a table grape and date palm business in Namibia, and another in a regional poultry business.

Overall, the strategy will remain unchanged: continuing to seek attractive returns for investors whilst achieving a substantial positive social, environmental and climate impact.

COMMUNITY CENTRE

Number of lives improved by Silverland funds

Employed +**10,400**
Direct economic benefit **386,000**
Secondary impact **2.3 million**

For advice on agricultural valuations please contact **susan.turner@za.knightfrank.com**

Helping individual farmers and communities is a vital aspect of SilverStreet's investment strategy

Get connected

Africa currently boasts just 140,000 sq m of data centre space, the same as Switzerland. However, rapid digitisation and the roll-out of 4G and 5G infrastructure across the continent means this is set to grow by 50% over the next five years. We highlight the six key drivers encouraging investors to plug in

Words: Stephen Beard & Tilda Mwai

> "*The southern African region continues to be the most well served, accounting for 54% of data centre space across Africa.*

1. Localisation

Traditionally, data centres have been clustered in a select few geographies at existing peering points, or internet exchange points. These locations have been in the US (Virginia), Europe (London, Paris, Amsterdam, Frankfurt and Dublin) and Asia-Pacific (Tokyo, Hong Kong and Singapore).

However, as technology and content has become more complex, the quantity of data required has increased to a level where the existing model is no longer viable.

As a result, cloud-based service providers are now looking to be closer to population centres, which will enable them to deliver more sophisticated services in a more timely manner and reduce transit costs.

Further, as Guy Willner, CEO of data centre operator IXcellerate notes, adoption of data sovereignty in countries such as Nigeria and Morocco means that new data centres will need to be built in these places.

2. Supply gap

Africa remains underserved for data centre provision. Live IT power in markets such as Dublin and London stands at 795.8MW and 728.25MW, but in Africa this figure is significantly lower with leading markets such as Johannesburg and Nairobi recording a total live IT power of 54.9MW and 19.04MW respectively, according to DC Byte.

There are clear opportunities for the development of not just retail and wholesale colocation, but also built-to-suit hyperscale data centres in the tier one markets. This will help to narrow capacity gaps and enable the market to keep up with increasing – and increasingly complex – demand at both individual and state level.

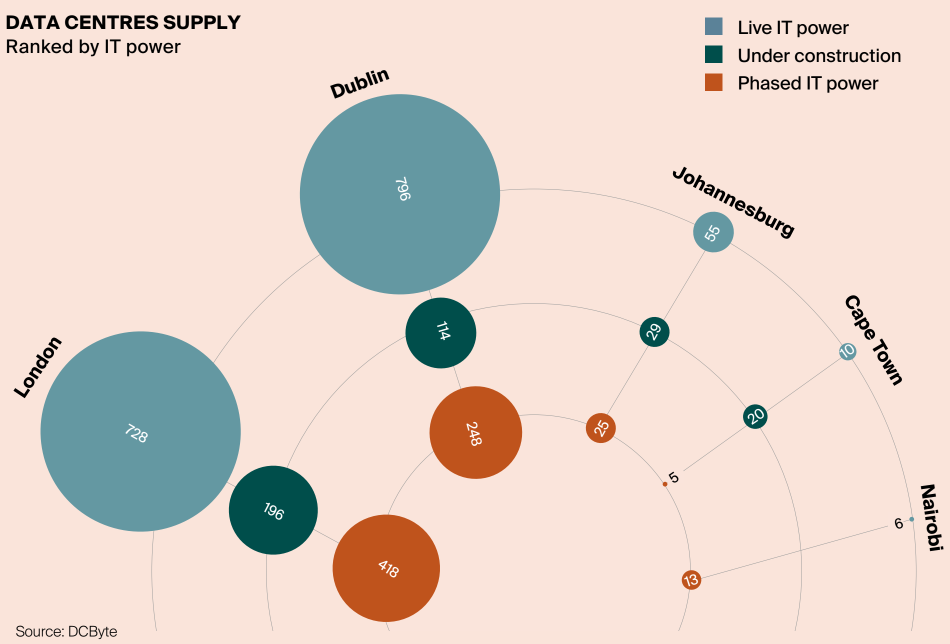
To house these data centres, a range of different types of real estate provision will be required. Depending on the type of demand, this could mean build-to-suit industrial units, repurposed industrial or office units or even build-to-lease data centre real estate.

3. Demographics

With a population of 1.3 billion people, the continent has over recent years provided an opportunity for the rapid and accelerating deployment of technology into a young and dynamic populace.

Africa currently accounts for less than 1% of total available global data centre capacity, according to Xalam Analytics, despite being home to approximately 17% of the world's population. However, with the continent's urban population set to grow by 60% by 2050, characterised by an increasing technology talent pool and an emerging middle class, the demand for data centres is set to increase.

From a supply standpoint, the southern African region continues to be the most well served, accounting for 54% of data centre space across Africa. But with at least half of Africa's growing population expected to have internet access by 2030, according to GSMA, and legislation encouraging data localisation, the potential for data centres in Africa is set to continue growing exponentially.



Source: DCByte

4. Connectivity

Recent progress in fibre optic connectivity offers Africa the ability to leapfrog other continents in establishing a world-class system of network infrastructure. Geographically, cities such as Mombasa in Kenya are incredibly well located on sub-sea fibre links offering a gateway to Asia and, as such, see a large amount of internet traffic working through them.

Currently much of Africa's data content is driven through Marseille rather than being domiciled on the continent, limiting those operators who need to offer premium latency (data transfer) speeds to their customers. However, the commencement of Google's Equiano project, an underwater cable connecting west Africa to Europe, and Facebook's 2Africa, a 37,000km sub-sea cable that will circumnavigate the continent and connect it with Europe and the Middle East, clearly shows how the tide is changing.

5. Green energy

Data centres consume a vast amount of power. This is especially the case in Africa, due to the added cooling requirements. In Europe for example, the requirement is 99.99% of uptime power at a minimum. Unreliability in Africa's grid network is therefore considered the main stumbling block to investment by international data centre operators.

However, the unfolding revolution in Africa's market for renewable energy is set to create new opportunities. Between 2010 and 2017 the average cost of producing solar energy fell by 73%, and by 22% for onshore wind power, according to the International Renewable Energy Agency. Renewable energy is set to spur growth and ensure accessibility even in the most remote regions across Africa, while achieving the sustainability goals of the cloud computing powerhouses such as Microsoft and Google.

6. Competitive capital

As the proliferation of smartphones and mass adoption of business software on the continent leads to soaring demand for data centres to power technology, international investors, including private, institutional and sovereign capital, are increasingly keen to win lucrative investment deals.

By way of example, see the recent US$250 million investment by private equity firm Actis. Further, in 2019, Boston-based private equity firm Berkshire Partners acquired a stake in Teraco Data Environments, which owns Africa's largest data centre and powers much of the cloud computing in South Africa, with the aim of doubling capacity from 30MW to 60MW in the next few years.

Liquid Telecom's Africa Data Centres, which has earmarked US$1 billion for expansion across Nigeria, Ghana and further into Egypt and Morocco, also recorded an influx in investor interest including US$300 million from the US government's International Development Finance Corporation.

Growing competition between emerging powers such as China and countries with longer-standing economic ties with Africa, such as the US, UK and France, is anticipated to open up this sector further to more lucrative investments, with Chinese capital expected to debut in the sector in the near future.

NUMBER CRUNCHING

The African data centre market can be categorised into three distinct tiers, according to James Wilman, CEO of data centre operator Future-tech.

Tier one markets include Cairo, Johannesburg, Cape Town, Lagos and Nairobi. These locations are becoming or already are Africa's leading data centre markets. Multinationals, developers, operators and investors are now looking to these markets with a sense of urgency driven by the demand drivers discussed on these pages.

Tier two markets are, essentially, cities in the most populous countries and locations with strategic positioning. These include cities such as Giza, Alexandria, Addis Ababa, Kinshasa, Dar es Salaam, Kampala, Algiers and Luanda.

Tier three markets are categorised as low population centres with relatively low ease of doing business and poor infrastructure connectivity.

Stephen Beard is Co-head of Data Centres at Knight Frank
stephen.beard@knightfrank.com

Creative thinking

Cities with a flair for innovation will prosper and grow by attracting talent. New research from Knight Frank reveals which of Africa's urban hotspots are beckoning the best and brightest

Words & data: Victoria Ormond & Tilda Mwai

The ability of African cities to emerge resilient from the Covid-19 pandemic will depend on their ability to innovate, providing long-term social solutions to their residents, attracting funding and generating new demand for space. In real estate terms this resilience is demonstrated by cities that can sustain tenant demand, support rental levels and capital values and, ultimately, deliver returns for investors.

Knight Frank's research into Africa's innovation-led cities collected over 100 different indicators, including data on more than 3,000 institutions across the continent. From a long list of over 500 cities these indicators were applied to 29 capital cities to determine the level of innovation and growth, and hence the greatest prospects for resilience for real estate investors.

We used statistical modelling techniques to determine which observable variable best represented innovation and create an innovation score for each city. This score comprises three components:

1. *Innovation activity, such as the total number of start-ups*
2. *Level of innovation funding*
3. *Innovation infrastructure, such as the number of research institutions.*

Scores allocated are between 0 and 10, with 10 being the highest.

In the scatter plot below, we map each city's innovation score against its GDP. Lower risk investors will favour cities with above-average innovation scores and a robust economy. These include Cairo, Egypt – the stand-out performer – and Johannesburg, South Africa.

These cities have the greatest potential to remain economically resilient in the long term despite undergoing short-term shocks. Cities that score higher for innovation but have less robust economies (on the left of the chart) will attract those willing to take more risk, such as private equity investors. These cities include Nairobi, Kenya, Cape Town in South Africa and Kampala, Uganda.

Nairobi is the top city in Africa for innovation and ranks among the top 100 globally. The city offers a good balance between the number of research institutions, available innovation funding and innovation activity (including start-up activity), as well as ease of doing business.

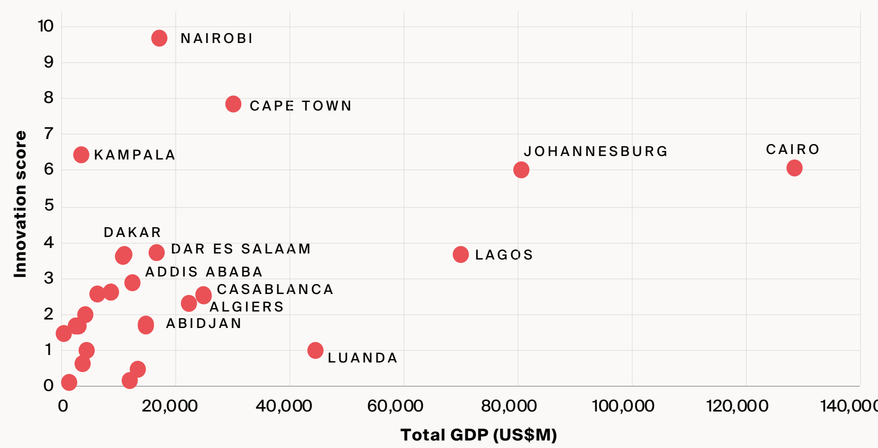
Notably, smaller cities such as Kampala also scored highly for innovation, resulting from an agglomeration of research institutions and increased start-up activity.

AFRICA CITIES INNOVATION RANKING

1	Nairobi
2	Cape Town
3	Kampala
4	Cairo
5	Johannesburg
6	Dar es Salaam
7	Lagos
8	Dakar
9	Accra
10	Addis Ababa

Source: Knight Frank Research

AFRICA CITIES INNOVATION SCORE



Source: Knight Frank Research

Health and wellness

In a post-pandemic world, quality of life is top of the agenda for investors and developers

Home sweet home

Using data from Knight Frank's Attitudes Survey and sample case studies, our Head of Residential Sales in South Africa investigates how the pandemic has changed how we feel about the places we call home

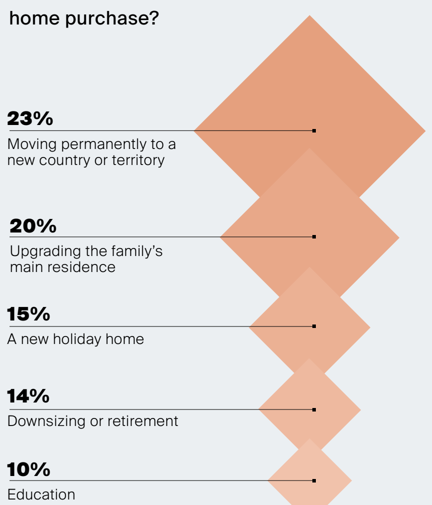
Words: Nick Gaertner

The Attitudes Survey forms a key part of *The Wealth Report*, Knight Frank's annual flagship publication for high-net-worth individuals (HNWIs) and their advisors. The survey, which offers unrivalled insights into the homes, investments and lifestyles of private wealth, is based on responses from leading private bankers and wealth advisors around the globe – including many from across Africa.

This year, for the first time, we can split out our results individually for five countries in southern, east and west Africa. Below, we feature a selection of the responses relating specifically to prime residential investing in major real estate markets across the continent. Please get in touch to request the full results, which include real estate investment trends.

RELOCATION FEATURES AS THE TOP REASON FOR A HOME PURCHASE

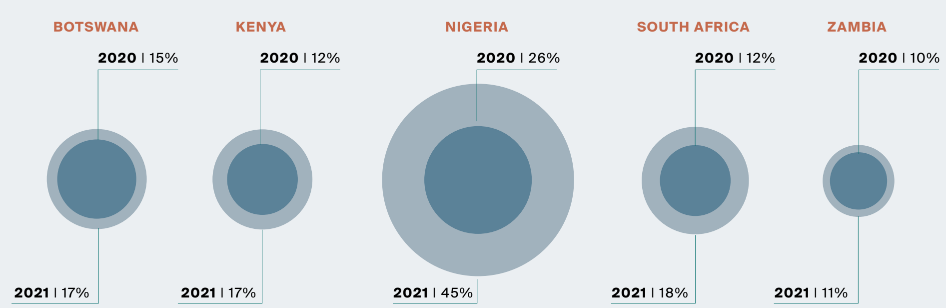
Q. What is the main reason for your clients' home purchase?



Source: Knight Frank Attitudes Survey

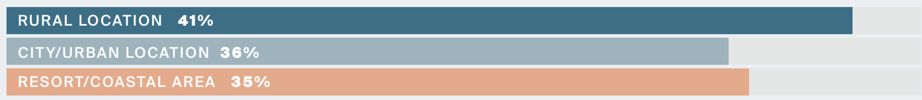
WHO IS BUYING?

Q. What proportion of your clients is planning to buy a new home in 2021 compared with 2020?



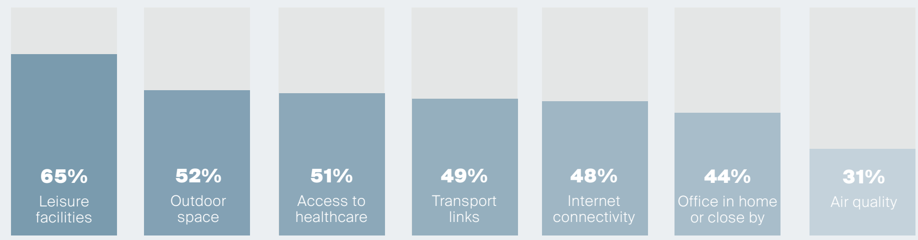
DUE TO COVID-19, A MAJORITY OF RESPONDENTS ARE MORE LIKELY TO BUY A HOUSE IN A RURAL LOCATION

Q. Due to Covid-19, are your clients more likely to want to buy a house in...



LEISURE AMENITIES, OUTDOOR SPACE AND ACCESS TO QUALITY HEALTHCARE FEATURE AT THE TOP OF BUYERS' WISH LISTS

Q. When choosing a new home, which attributes are most important?



TOP HOME PURCHASING DESTINATIONS

Q. If purchasing a new home, in which countries or territories is it most likely to be?

BOTSWANA	KENYA	NIGERIA	SOUTH AFRICA	ZAMBIA
South Africa	Kenya	UK	South Africa	Zambia
Australia	UK	Nigeria	UK	UK
US	US	US	US	South Africa
UK	South Africa	UAE	Australia	UAE
New Zealand	Canada	Canada	New Zealand	Australia

Clifton Terraces – South Villa

Cape Town, South Africa

Tucked into Clifton's mountainside, this five-storey villa embodies Cape Town's finest expression of living. Sweeping views of the Atlantic Ocean, Table Mountain and the Twelve Apostles offer a lifestyle that captivates the imagination and provides unrivalled serenity.

Designed by world renowned architecture firm SAOTA, this five-bedroom en-suite masterpiece offers privacy and tranquillity, while still being just metres away from some of Cape Town's world-famous Blue Flag beaches. The turnkey, 1,000 sq m villa offers state-of-the-art home automation, tailored with bespoke finishes and custom-made furniture, and complemented with a curated collection of art and design from South Africa's most promising artists.

For more information, please contact:
nick@res.za.knightfrank.com

Villa La Palmeraie

Marrakech, Morocco

La Palmeraie is a superb, newly-built villa located in the heart of Marrakech's Palmeraie with stunning unencumbered views toward the Atlas Mountains. Here, the inside and outside are so closely linked that they almost merge into one.

The villa is divided up into different "blocks" and offers a living area of 900 sq m. All five bedrooms are spacious and beautifully appointed and come with their own bathroom, dressing room and terrace. The property's contemporary and unique architectural design offers an impressive entertaining space and a wonderful sense of volume and light.

For more information, please contact:
mark.harvey@knightfrank.com

VIEW FROM THE EAST

Charles Macharia, Head of Research, Knight Frank Kenya

What should we expect for the residential sector moving forward? It's a question that has been at the top of our buyers', investors' and sellers' minds. Over the course of the Covid-19 pandemic, we have seen reduced sales pricing and discounted rents, a trend we anticipate will continue into 2021.

As evidenced by our Knight Frank Kenya Buyer Survey, many respondents (50%) expect property prices to remain subdued over the next 12 months. Buyers are therefore in a unique position to leverage current price levels as the economy continues its gradual recovery.

Respondents with future buying intentions have indicated that they are more likely to buy a second home out of the city as a safe haven in case of future outbreaks, lockdowns or disasters. This has been reflected in a surge in enquiries for prime properties at the coast and up-country recorded by Knight Frank in Kenya.

Residential design is also anticipated to form a core element of buyers' specifications. With people spending more time at home, they have been able to experience first-hand whether their homes meet their current lifestyle needs and review what they would prioritise when buying a new one in the future. Space is clearly a concern, with 54% of respondents indicating that they are now more likely to buy a detached family home than they were pre-Covid.

In general, the pandemic has highlighted the relative resilience of the residential sector. While overall sales volumes did contract significantly initially, the sector has proved more resilient than other real estate sectors. There was a sharp rebound in transaction volumes following the easing of the movement restrictions that had been imposed in the first half of 2020.

However, we anticipate that demand will continue to come under pressure in 2021. Landlords will therefore need to shift their strategies to preserve occupancies. Incorporating flexible workspace into developments and offering work-from-home furniture packages are expected to form part of the new measures to attract and retain tenants.

New entrants to the sector, mainly in the affordable housing space, coupled with expansion among existing operators, will boost supply in 2021.

Mortgage uptake levels are also expected to increase with the implementation of affordable housing programmes and the formation of the Kenya Mortgage Refinance Company by the government to offer affordable mortgage financing. The initiative by the government to provide low-cost housing and repeal the interest capping law will also boost the uptake of mortgages.

For many people the home has now become a hub from which they work, exercise, learn, socialise and relax. Trends towards wellness living and smart living are expected to take centre stage.

Until recently, one of the strongest considerations impacting homeowners' decisions on where to buy has been proximity to their place of work. Generally, this would mean a trade-off between space and lifestyle amenities on the one hand and reduced travel times and access to the city on the other.

This demand for city living and proximity to urban centres across Africa underpinned the surge in prime residential properties around CBDs prior to the pandemic.

In major cities such as Cape Town, it is now clear that "working from home" and flexible office hours are here to stay. As a result, there has been a meaningful shift in the mindset of homebuyers. Those who once considered proximity to work to be a key factor are now placing far more emphasis on a home that offers space and tranquillity.

Therefore, it was unsurprising that the majority of the respondents (leading private bankers and wealth advisors) to the latest Knight Frank Attitudes Survey ranked access to quality healthcare, proximity to leisure amenities and nearby open spaces as the top attributes their clients are now looking for in home purchases.

The biggest shift in buyer demographics has been the surge in demand from those aged between 25 and 45 years old. This segment comprises both first-time home buyers and young families, who are up to speed with changes in technology and able to adapt their working situation to spend more time at home with their families, while still working efficiently and effectively.

Suburban and countryside lifestyles outside of densely populated cities are appealing to the younger demographic now more than ever before. This trend is surely set to continue as technology evolves and the desire to create a home that caters to all aspects of one's lifestyle – work, learning, exercise, relaxation and so on – becomes a more appealing and realistic proposition.

Throughout this section, we have looked at some exceptional examples of unique homes that offer incredible multi-purpose living and work-from-home environments.

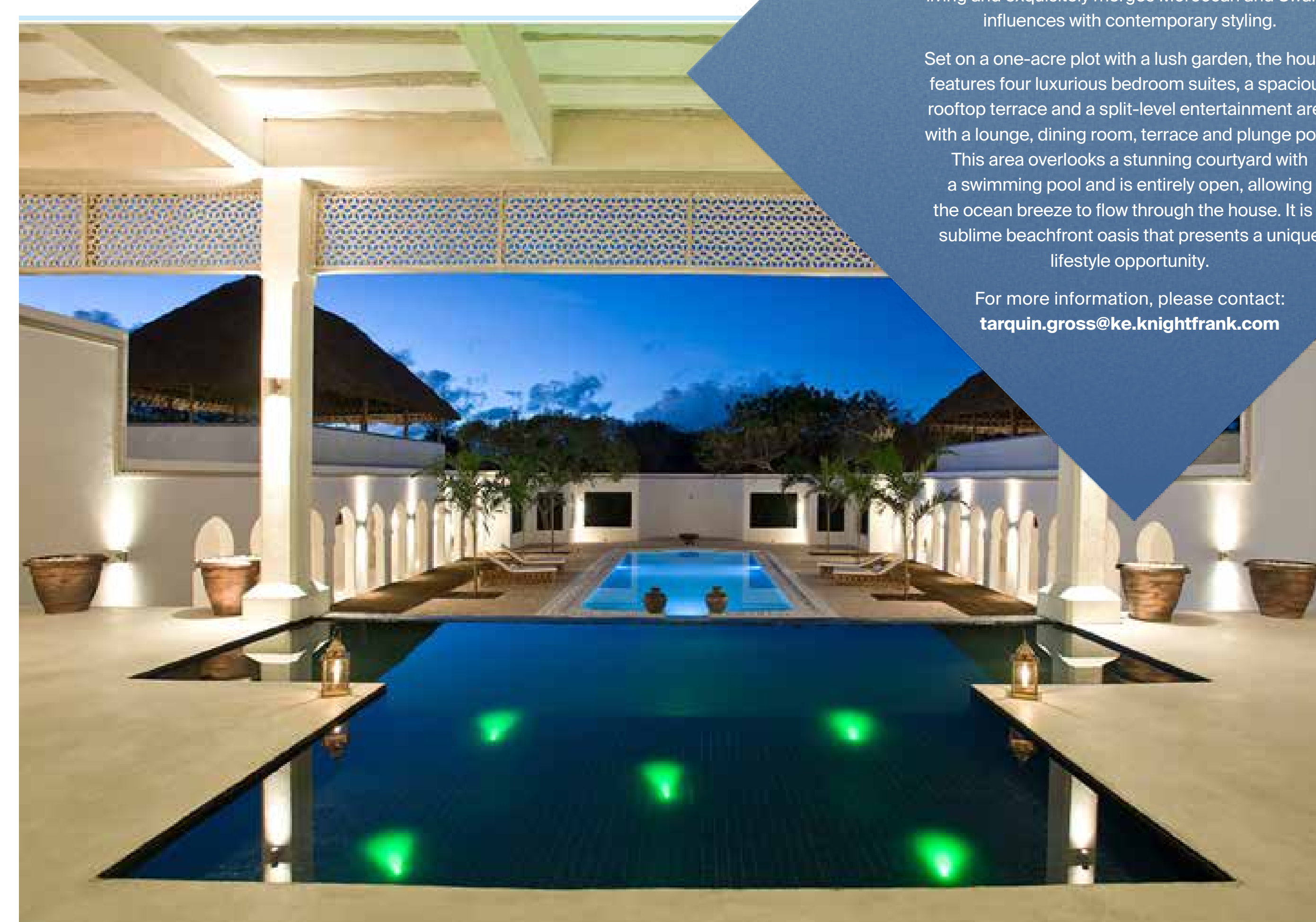
Al Hamra Residence

Watamu, Kenya

Al Hamra Residence is set along the Kenyan coast, with stunning views of the Indian Ocean and private access to the powder white sands of Turtle Beach. Completed to exacting standards, Al Hamra is thoughtfully designed to enhance indoor-outdoor living and exquisitely merges Moroccan and Swahili influences with contemporary styling.

Set on a one-acre plot with a lush garden, the house features four luxurious bedroom suites, a spacious rooftop terrace and a split-level entertainment area with a lounge, dining room, terrace and plunge pool. This area overlooks a stunning courtyard with a swimming pool and is entirely open, allowing the ocean breeze to flow through the house. It is a sublime beachfront oasis that presents a unique lifestyle opportunity.

For more information, please contact:
tarquin.gross@ke.knightfrank.com



Working it out

Far from spelling the end of the office, Covid-19 has opened up a future full of new possibilities. Two members of Knight Frank's specialist Occupier Services team shares their thoughts on what lies ahead

Words: Anthony Havelock & Winnie Gachagua

> *"We anticipate that best-in-class office buildings will be focused on physical and mental wellbeing.*

New technology has always evoked panic as to the future of the workplace, and consequently the future of the office. Over the past few years, debate has raged about how the adoption of technologies like artificial intelligence will impact human productivity. Yet it is the pandemic that has offered us the most meaningful glimpse into the future.

Despite initial predictions to the contrary, one message has emerged clearly – offices still have a vital role to play in the future of work. As Africa and the rest of the world gear up towards re-occupancy, collaboration, flexibility, health and wellbeing will be central.

The office environment will need to be reimagined to include aspects that support employee health and wellbeing. Already, some of these are integral to design in prime offices across Africa. These include improved indoor air quality, natural lighting, healthy food and beverage offers, gyms and fitness classes, indoor gardens and green spaces, cycle storage, showers, maintenance services and high-end spa facilities.

Moving forward, we anticipate that best-in-class office buildings will be more focused on physical and mental wellbeing by offering direct access to green spaces, such as the provision of gardens on terraces; sanctuary spaces such as contemplation rooms where workers can disconnect from the grid, focus or reconnect with themselves; and educational events programmes that seek to promote a better work/life balance.

With many of the office schemes in the development pipeline in key markets across Africa expected to reflect these aspects, the flight to quality is set to remain a key trend. We anticipate this will provide greater stability across the prime office market in Africa which has suffered from a sharp supply-demand imbalance, widening vacancy rates and falling rents over the past year.

Re-occupancy

As we move back to the office, the immediate post-crisis period will present an opportunity for occupiers to make their real estate needs truly strategic and integral to business transformation. Through our re-occupancy roadmap (see right for overview), the Knight Frank Workplace Consultancy team has been equipping occupiers with guidelines and information to help ensure a safe return to work.

The roadmap identifies two categories of change that will need to occur for safe re-entry. The first is behavioural change: for example, ensuring strict protocols – such as clear desk policies – are applied, and that social distancing is possible within the workplace. The second is environmental change, including increased airflow, changing heating ventilation and air conditioning filters, and enhancing cleaning regimes. As such, we anticipate that ensuring the health, safety and wellbeing of occupiers will revolve around these environmental and behavioural elements.

The Knight Frank roadmap support occupiers in five clear areas:

01
UNDERSTANDING THEIR EMPLOYEE BASE

02
REVIEWING THE EMPLOYEE/ CUSTOMER JOURNEY WITHIN THE WORKPLACE

03
EVALUATING SOCIAL DISTANCING OPTIONS

04
DETERMINING OCCUPANCY IMPACT

05
DEVELOPING PROTOCOLS

Sustainability

Sustainability is expected to remain a key requirement for office building design, management and fit-out. While environmental, social, governance (ESG) and allied issues can often lose momentum during recessions, the sea change in sentiment surrounding the correlation between taking better care of the environment and enjoying better quality of life ensures this will remain top of mind.

Across Africa, this is partly being addressed through a combination of tighter legislation, compliance requirements and evolving public and corporate expectations. Further, businesses are realising that embracing the transition to a low carbon economy is not just a question of corporate social responsibility, it also makes good business sense.

With staff costs typically representing 85–90% of total operational costs, the opportunity to improve the working environment should be a high priority for any organisation. Any incremental improvement to staff productivity, reduced absenteeism, improvement in staff retention and recruitment will be a significant benefit to profitability. This is further enhanced through sustainable design considerations within a fit-out to deliver operational cost savings directly through reduced energy and water use, and responsible waste disposal.

Innovation

Innovation will be increasingly sought by landlords in order to ensure the health and wellbeing of their employees. In the short term this might be in the form of body temperature and automated security scanners. However, in the long term, the move towards smart buildings is expected to be the norm for prime office space across the continent.

This is anticipated to be reflected in the building fabric through features including development and installation of touchless features such as automatic doors, installation of self-flushing toilets, automated faucets and soap-dispensers in restrooms, motion-activated lighting, face recognition ID building entry points and software automation that ensures employees' mental wellbeing.

Further, landlords can benefit from reduced operational and maintenance costs within their properties, as most of these technologies are sustainably designed.

Anthony Havelock is Head of Occupier Services for Africa. For more information contact him at **anthony.havelock@ke.knightfrank.com**

Winnie Gachagua is Corporate Real Estate Services Manager for Kenya. For more information contact her at **winnie.gachagua@ke.knightfrank.com**

Vienna Court

Located in Nairobi, Kenya, Vienna Court is one of our best examples of a sustainable and smart workplace. The LEED-certified office complex comprises two crescent-shaped office wings flanking the central courtyard garden and reflecting pools to the east and west of the property.

A core element that defines the building is its commitment to sustainability since day one, from site selection and the use of locally-sourced building materials to its innovative power, lighting and ventilation systems. This commitment to innovation is brought to life through availability of electric charging stations and bicycle parking slots.

The building is further designed to foster collaboration, encourage communication and inspire creativity through bespoke spaces such as flexible meeting spaces, lush green areas, and the in-house gym and cafeteria.

Oxford Parks Green

Located in Johannesburg, South Africa, the prestigious premium grade Oxford Parks development is not only rapidly changing the skyline of the Rosebank Central Business District but also redefining what a sustainable and flexible workplace means.

Developed by Intaprop, the precinct consists of five completed office buildings, with WDB House on the northern boundary and four commercial buildings in the southern hub. The new Radisson RED building is due to be completed in April 2021.

Sustainability is at the heart of this development, with all buildings designed with state-of-the-art sustainable features and energy efficient systems. The buildings are further designed to foster employee wellness with numerous green spaces found throughout the development.

The wellness opportunity

Covid-19 has forced African governments to focus on the resilience of their medical systems and encouraged individuals to examine their personal wellbeing. As Knight Frank's Healthcare team reports, the overlap of these two trends provides opportunities for investors

Words: Dr Gireesh Kumar

As global health systems succumbed to the challenges posed by the Covid-19 pandemic, governments realised that to ensure future economic stability it was imperative to strengthen and invest in their health systems.

Helpfully, numerous countries in Africa are poised for economic growth backed by their untapped natural reserves, commitment to infrastructure projects and adoption of technology. To ensure their economic success, governments cannot neglect their healthcare sectors and will be seeking increased private sector participation to expedite the development of the healthcare industry.

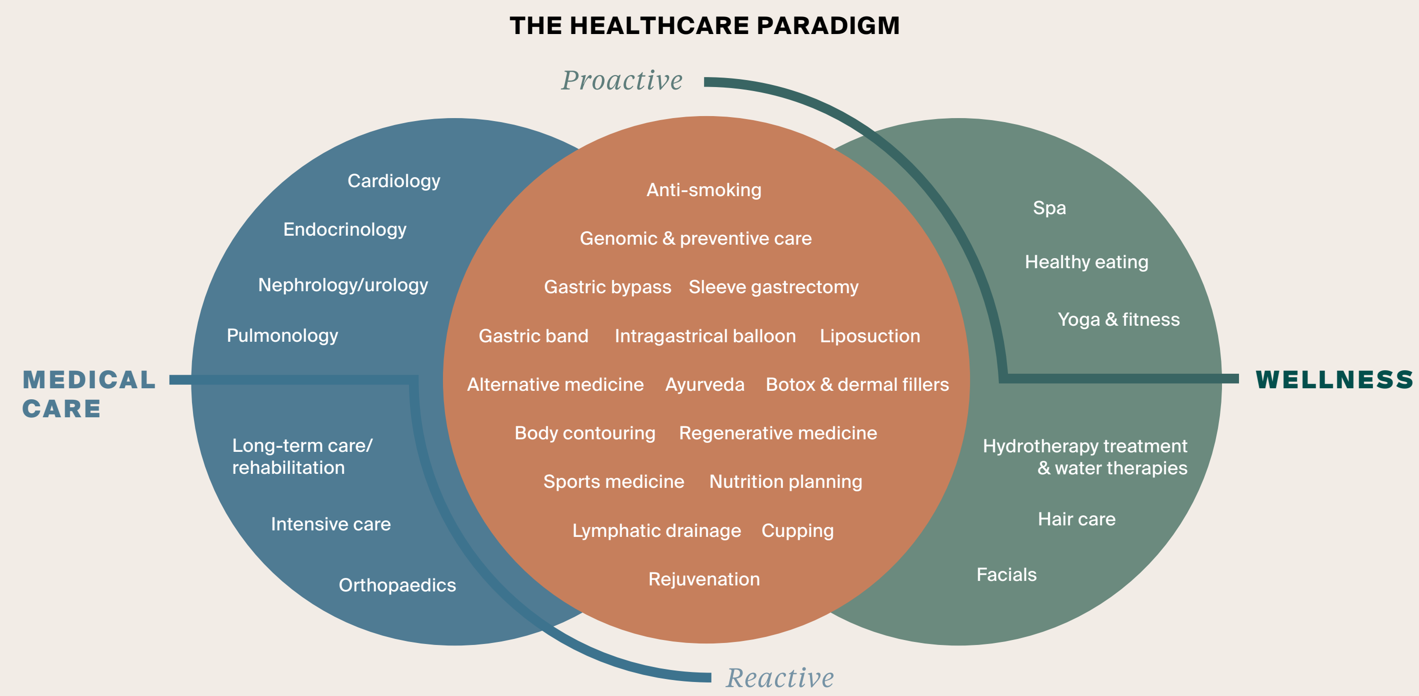
Historically, though, the private sector has maintained the view that, due to the lack of capacity to pay for treatments, the health sector in Africa does not present a viable investment option. However, if we analyse the current state of affairs in the majority of countries across the continent we can see that the situation is changing, thanks to the emergence of a growing middle class and the rapid pace of urbanisation.

The healthcare segment is increasingly seeing middle-class families opting to travel for medical care in search of quality, but with restrictions on flights, those who tended to get themselves treated abroad will now be looking for quality healthcare at home.

This all means that the spectrum of demand has widened and is no longer restricted to just basic, affordable healthcare. As the graphic opposite illustrates, there are many more parts of the value chain to be considered, including moving in the direction of medical wellness, which represents immense opportunities in Africa.

As the graphic shows, medical care is reactive, while wellness is preventive in nature. Medical wellness is an area that overlaps both, as a significant number of services can be utilised for both prevention and cure. It is the combined practice of medical care and wellness, resulting in improved health outcomes, preventing and/or curing diseases as well as promoting wellbeing.

Wellness tourism is already well established in Africa. Figures from the Global Wellness Institute show that 6.5 million wellness trips involving US$4.8 billion in expenditure were made between 2015 and 2017 in sub-Saharan Africa. This means that there is an opportunity for pure play wellness providers to consider collaborating with medical wellness and/or healthcare providers in order to integrate medical wellness as part of their service offering.



Combining Africa's natural beauty with medical wellness retreats will help develop the domestic medical tourism market in the short term and get it ready to welcome international medical wellness tourists in the medium to long term. In the graphic above, we focus on the opportunities in the medical wellness sector and the demand drivers specific to these opportunities.

It is evident that there is an established and growing demand for healthcare services. In addition it is also clear from this pandemic that, to ensure economic success, countries should have a strong healthcare system in place. Governments should focus on getting the private sector involved by way of investor-friendly legislation, introducing mandatory insurance and undertaking projects under the public-private partnership mechanism. Overall, it is clear that Africa is moving on the healthcare paradigm – and that those who are equipped with market-based advice are likely to succeed.

Dr Gireesh Kumar is Senior Manager, Healthcare Consultancy
For more information contact: **gireesh.kumar@me.knightfrank.com**

MEDICAL WELLNESS OPPORTUNITIES IN AFRICA

AESTHETICS

A fast-growing urban middle-class population with increased levels of awareness, international exposure and disposable income tends to seek healthcare services beyond its basic health needs. This will lead to increasing demand for new emerging medical wellness practices found in the West such as anti-ageing procedures, Botox and dermal fillers, rejuvenation practices such as platelet-rich plasma facials and bioidentical hormone replacement therapy.

WEIGHT MANAGEMENT

As technology is being gradually included in every walk of life, the life of the average urban dweller has become more sedentary. This, combined with unhealthy consumption habits such as fast and processed food, alcohol and smoking has resulted in an acceleration of diabetes, cardiovascular-related issues and obesity. In affluent societies with a higher propensity to pay, the transition from conservative treatment stages to invasive treatments (gastric balloon, gastric band, sleeve gastrectomy and gastric bypass) is faster. This results in a quicker management of the health conditions and also presents more options from an aesthetic perspective.

GENOMIC & PREVENTIVE CARE

The overlap between communicable and non-communicable diseases presents investment opportunities for synergistic care. There is greater understanding of genetic predisposition to disease, a general global shift towards a "prevention is better than treatment" mindset, accelerated by Covid-19, as well as an increase in access to technology. All these factors point to genomics and preventive medicine being a good investment opportunity in Africa.

ALTERNATIVE MEDICINE

Traditional medicine is at the heart of the African approach to the health and wellness of individuals. This system continues to flourish and carry a part of the burden for Africa's healthcare. With the rise in disease, the importance of traditional, spiritual and biomedical remedies to ameliorate or prevent disease is imperative and there are already emerging facilities that combine traditional medicine with a conventional approach to medical wellness in the current African healthcare system.

NUTRITION PLANNING

Urbanisation, the Covid-19 pandemic and greater concerns and awareness pertaining to diet and disease all point to increased demand for nutritionists' expertise.

REGENERATIVE MEDICINE

The combination of a rise in conditions that can be managed with regenerative medicine, urbanisation and a growing middle-class population is driving demand for more advanced biotechnology treatments in Africa, highlighting the need for investment in this area. At birth, the blood of the umbilical cord contains stem cells that are useful in regenerative medicine which has proven successful in the treatment of some blood disorders, immune deficiencies, conditions affecting the nervous system and some cancers. Furthermore, stem cells can also be useful in orthopaedics as a means of natural healing in order to avoid surgery, as well as in anti-ageing.

Data centre

Covid-19 has highlighted the need for more accurate real-time data in the real estate sector. Knight Frank can provide the numbers you need...

When it comes to research, our goal is to provide our clients with the most accurate intelligence and insights possible. To do this, we rely on our decades of expertise in many African countries and the first-hand data that we collect regularly at both country and city level through our extensive network of local experts.

We are constantly working to find ways to optimise the delivery of clear, reliable data to our clients. Our direct experience in more than 20 African countries gives us country- and sector-specific knowledge of these markets, allowing us to better interpret and understand the reasons behind any glitches or anomalies in the data. Combined with our macro-data analysis capabilities, this allows us to identify long-term market trends and patterns that translate into more accurate insights for our clients.

We track market data across four sectors: commercial, residential, retail and industrial/warehousing. By cross-referencing our datasets with other indices, such as commodity prices and currency fluctuations, we can investigate any potential correlations between them. When required, we can also combine these with stock and pipeline data, ultimately providing our clients with a full picture of the market.

The charts opposite showcase the granularity of the numbers we can deliver.

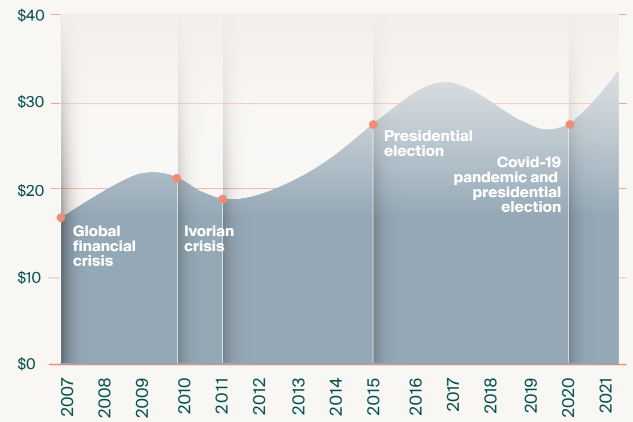
For more information, please contact:

Tilda Mwai, Researcher for Africa, Knight Frank
tilda.mwai@me.knightfrank.com

Arturo Pavani, Head of Research, Knight Frank–EMC
arturo.pavani@knightfrank-emc.com

ABIDJAN – COMMERCIAL RENT

Average – Grade A (US$/sq m/month)

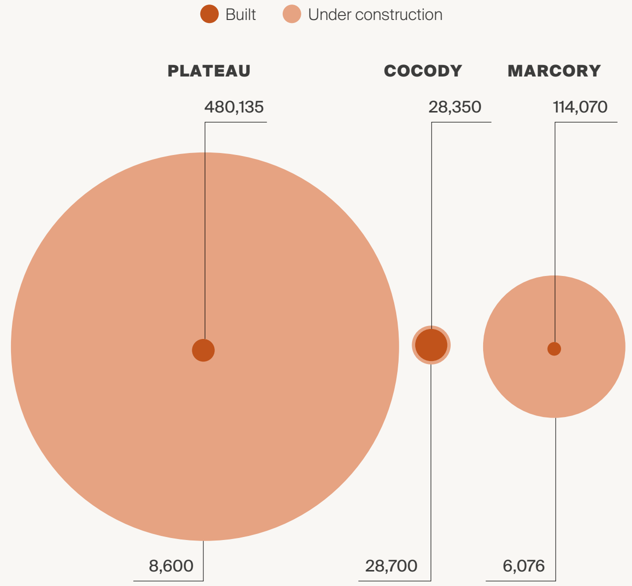


US$32.50

Average commercial rent in Abidjan in 2021

ABIDJAN – STOCK AND PIPELINE BY SUB-MARKET

Area (sq m)



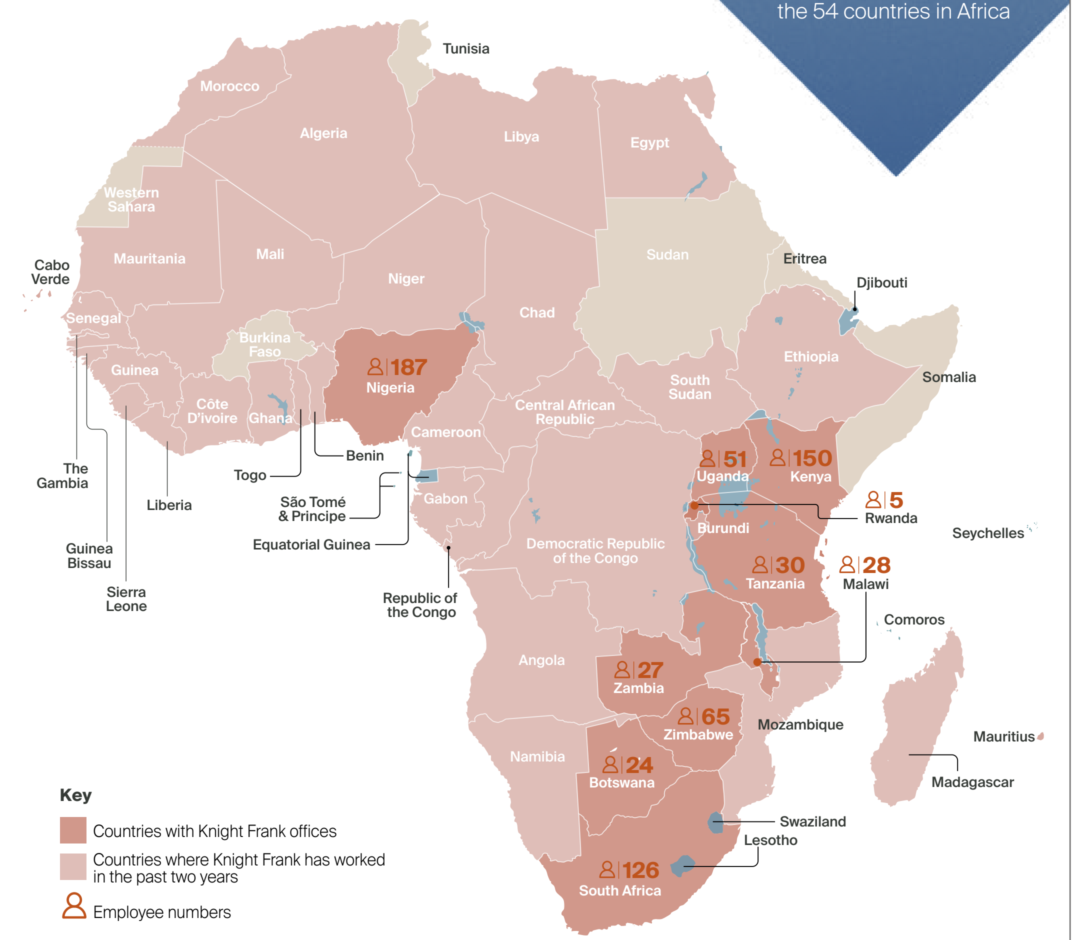
622,555

Total built stock in Abidjan (sq m)

Knight Frank in Africa

49
COUNTRIES

Full consultancy and valuation services provided across 49 of the 54 countries in Africa



Sector specialists

Occupier Services
Anthony Havelock
anthony.havelock@ke.knightfrank.com

Hospitality and Leisure
Ali Manzoor
ali.manzoor@me.knightfrank.com

Healthcare and Education
Shehzad Jamal
shehzad.jamal@me.knightfrank.com

Residential
Nick Gaertner
nick.gaertner@res.za.knightfrank.com

Retail
Marc Du'Toit
marc.dutoit@ug.knightfrank.com

Agriculture
Susan Turner
Susan.turner@za.knightfrank.com

Research
Tilda Mwai
tilda.mwai@me.knightfrank.com

Consulting
Ian Lawrence
ian.lawrence@knightfrank-emc.com

Country heads

James Lewis
Managing Director, Middle East and Africa
james.lewis@knightfrank.com

Botswana
Curtis Matobolo
curtis.matobolo@bw.knightfrank.com

Kenya
Ben Woodhams
ben.woodhams@ke.knightfrank.com

Malawi
Don Whayo
don.whayo@mw.knightfrank.com

Nigeria
Frank Okosun
frank.okosun@ng.knightfrank.com

South Africa
Susan Turner
susan.turner@za.knightfrank.com

Tanzania
Ahaad Meskiri
ahaad.meskiri@tz.knightfrank.com

Uganda
Judy Rugasira
judy.rugasira@ug.knightfrank.com

Zambia
Tim Ware
tim.ware@zm.knightfrank.com

Zimbabwe
Amos Mazarire
amos.mazarire@zw.knightfrank.com

Knight Frank

125

Your partners in property for 125 years