

# Period of super returns gone, but opportunities in Africa remain

 By [Sindy Peters](#)

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With 42 years' experience in the property sector and a footprint that expands well across the sub-Saharan Africa (SSA) region, Broll Property Group is well positioned to provide insight on doing business on the continent. We interviewed group CEO Malcolm Horne to find out more about the company's history, what it takes to succeed in the SSA space, and what some of the trends are that are driving the commercial property sector on the continent.



Broll, group CEO, Malcolm Horne

## ■ ***Could you give us a brief history of Broll's development, particularly its expansion into Africa?***

Broll was founded on 15 January 1975 by Jonathan Broll (now group chairman) and started operating from a single office in Cape Town with only two employees. To date, the group has over 2,000 employees with offices in Angola, Ghana, Ivory Coast, Kenya, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Nigeria, Reunion, South Africa, Swaziland, Uganda and Zambia, and has operations in other sub-Saharan African countries.

Broll started off as a property management business and later, the company diversified its service offering and, as a result, the company grew and expanded into Africa. From the outset, the business's principles were based on exceeding our clients' expectations and building long-term relationships of mutual respect with our clients. Since 2004, Broll has represented CBRE in sub-Saharan Africa and, through this affiliation, we are able to offer unrivalled global market knowledge to the benefit of clients.

Over the years, and as real estate needs changed, we have paid a lot of attention and adapted to these changes in order to fully maximise the efficiency of our operations to improve our client satisfaction. To this end, we have become one of Africa's leading property services companies with a number of awards that speak to the hard work we have put in, coupled with our client's unwavering support in the 42 years. We have invested considerably in Africa in the last few years and will continue to invest where we are able to leverage off our skills and acquired local knowledge to the benefits of our clients.

## ■ ***What does it take to succeed in the SSA property market, and what have been some of the challenges?***

From a Broll perspective, to succeed investors need to:

- Be patient and take a long-term investment view.
- Incorporate ongoing training and upskilling of local talent.
- Invest in management software, systems/processes as these ensure operational efficiencies.
- Provide technical support via the employment of expats or direct support from Broll SA in respect of specific client mandates where local experience is lacking.
- Aim to comply with international standards and best practice.
- Align the business with key local relationships or partners, however, while not absolutely essential to have a local shareholder, it depends on the value add that the local partner can bring to the business.
- Invest heavily in market research as this demonstrates understanding of real estate market knowledge. Research remains the cornerstone of our business. We convert data into meaningful market information, thus enabling our clients and investors to make informed decisions and formulate appropriate real estate investment strategies.
- Align our local business brand with an international company. Our affiliation with global commercial real estate services and investment firm CBRE ensures that we have access to current real estate industry trends and we are able to deliver industry best practice.

### **Challenges:**

- While pockets of excellence do exist, finding well-qualified and experienced local staff in respect of certain real estate segments can be challenging at times.
- The ability to source accurate, complete and reliable data across all sectors remains a challenge.
- The management of client's output expectations which are aggravated by inherent operational challenges that occur in Africa.

Therefore, companies such as ours are well-positioned to advise and provide specific property research to investors wishing to enter a particular market or sector or expand their business in sub-Saharan Africa. To this end, and due to growing demand from investors, we launched *The Broll Tenant Handbook* in 2014 and released the updated version in 2016 in a bid to assist commercial property tenants looking to rent property in parts of sub-Saharan Africa. This publication and various other research publications are available for download on [www.broll.com/publications](http://www.broll.com/publications).

### **■ What are the current trends driving the commercial property sector in Africa?**

- Lower GDP growth across a number of countries has resulted in rising vacancy levels. As a result, a number of planned developments have stalled or have been moved out to a later date (mostly due to lower commodity prices). We are also seeing population growth coupled with a high rate of urbanisation, and these are seen as being positive fundamentals that will continue to drive demand for real estate space.
- Generally, in some markets, commercial rentals are softening - as a result, landlords compete for tenants. It certainly has become a tenant's market making signing deals a lot harder than it used to be.
- In the Indian Ocean countries, Mauritius has over the past decade become a financial hub for Africa and a safe haven for foreign investors. This investor confidence has been fuelling growth with the provision of higher grade commercial properties coming onto the market.
- In East Africa, and in particular Kenya, we are seeing an increase in the developments of prime warehouse facilities. The growth of Nairobi as East Africa's regional hub drives demand for storage facilities for pick and pack services, as well as third party logistics solutions.
- In Namibia, the office sector is mostly demand driven, however, demand for office properties in areas linked to retail has been very strong in the past and continues as people want convenience to be able to have access to other services and products.
- From a retail perspective, we continue to see the development of formal modern shopping centres, and these are seen as more than just shopping destinations – they are seen as places where people can dine, shop, be entertained, as well as socialise with family and friends.
- Shopping centres with a right tenant mix that address the needs of shoppers will have substantial foot traffic and healthy trading densities.
- Online shopping is starting to gain momentum and as shoppers become comfortable with shopping online, they see it

as a complimentary service to physical stores.

- In Nigeria, as a result of the downturn in the economy (in recession for the first time in 20 years), developers and investors are now starting to look at smaller retail opportunities that are located to take advantage of the growing population coupled with lower development costs to allow for more affordable rentals. Consideration is also being given to the cost of development of new offices with a movement from prime grade to A-grade building specifications to accommodate lower rental levels.

### **▣ *What are the key factors you look at before entering a territory in Africa?***

The fundamental country and sovereign risk factors must be sound and there must be a case for a sustainable investment of our expertise. The business case must also be strong as our investment is in both the property and development of local talent. Often, this may be driven by a specific client that requires a pan-African solution such as a strategic decision to expand into the country on the back of a client relationship.

We look at factors such as the availability of a market to sustain growth and meet demand for our services and the need for real estate investments which are supported by our service offerings. The investment climate may be favourable, but the yields have to support any and all investments for sustainability and continuous development and growth.

Other factors include the ease of doing business, property rights, access to and ownership of land – once the relevant country laws allow for investors to obtain title of a property through a fair and non-corrupt market process, this would definitely increase investor appetite.

### **▣ *How would you describe the level of competition while doing business in Africa?***

Highly competitive, however, this would differ from one market to another. We see that as real estate markets become sophisticated, the level of professionalism also improves and this bodes well for the sector as a whole.

In West Africa, countries like Ghana are currently reviewing their regulatory policy framework on the ease of doing business in the country with the view of making Ghana the gateway to Africa, and in Nigeria, the level of competition has increased significantly due to increase in foreign direct investments over the period 2010 – 2014. As a result, most of the international firms of real estate advisors and consultants are now represented in the country.

### **▣ *What is the general sentiment of investors doing business in Africa right now?***

Some investors still maintain a positive outlook on business citing a large number of exploitable asset and investment gaps in Africa. These investors see Africa as offering income generating opportunities.

In many cases, investors are taking a “wait-and-see” approach, mostly for non-African investors, whereas African investors are obviously more comfortable to invest in Africa as they have a better understanding of the markets and risks associated with investing in these markets.

The ongoing development of Nairobi as a regional hub for East Africa holds a special interest for investors and so this has increased investor appetite into the commercial property sector.

Mauritius, seen as being stable, continues to see an influx of investors as they appreciate the quality of real estate assets available in that country.

Overall, investors are cautiously optimistic as they have come to realise that the period of super returns are gone, but opportunities are still available for those who are brave and take a long-term view.

In countries whose economies are largely commodity-based, such as Angola, Ghana and Nigeria, investor sentiment remains cautious with a more measured approach being adopted in respect of new investment opportunities. However, in some of these countries, we are seeing a few green shoots and this is likely to result in a slight improvement in investor confidence. The consensus is that a number of these countries are over the worst, however, the extent to which this holds true will differ for each country depending on the status of each country's macro-economic imbalances.

*Malcolm Horne joined Broll in 2003 as portfolio executive and was appointed group CEO in 2010 serving the investor and occupier markets across sub-Saharan Africa. Between 2004 and 2005 he was the MD for Broll Namibia and from 2006-2011 he was MD for Property Management for the group. Since 2011, he has been an advisor to chairman/CEO of CBRE EMEA for sub-Saharan Africa. He has also worked as general manager for Properties at the Consortium of Municipal Pension Funds (1998-2003) and as senior property manager for City Property Management (1993 -1998).*

*With a wealth of property knowledge and experience, he is also a director at various companies, the vice president of the South African Council of Shopping Centres, a member of the International Council of Shopping Centres and Africa Advisory Board for International Council of Shopping Centres.*

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