

Planning is more important than prediction for Africa's property sector now

An understandable response to the economic fallout of Covid-19 is for governments, industries and businesses trying to predict the path that the global economy will take in the coming months and years. However, given that this is a challenging exercise at best, it's probably a better investment of valuable time and effort to ponder the many lessons - some very hard to swallow that the pandemic has taught us, and integrate them into our future business and investment plans and strategies, so that we're more prepared for what the future brings, irrespective of what that is.

By [Gerhard Zeelie](#) 9 Jun 2020



Gerhard Zeelie, head of property finance Africa: Nedbank CIB

For the African property sector, this approach is especially vital. As a largely developing continent, Africa's advantage over its so-called developed economy counterparts is that, in almost every aspect, it has the capacity to reset its economic development compass on the back of Covid-19. Property is a case in point. Where property stakeholders in most developed countries and continents will now have to consider how they can adapt or retrofit what they already have in place to a post-Covid reality, Africa's property landscape is still very much in its infancy. Meaning that it has immense opportunities to leverage the pandemic lessor as a springboard for the type of future-focused property development that could very well position the continent as a global property leader.

Opportunities in Africa's key property sectors

With that in mind, it's worth taking a closer look at how Covid-19 has impacted the key property sectors in Africa and, more importantly, what opportunities may present themselves going forward.

The hospitality sector was undoubtedly the hardest hit by the pandemic, with revenues coming to a complete and sudden halt as travel was shut down. Interestingly, this is probably also the sector that will be least changed by Covid-19 in the long-term. However, stakeholders would still be well advised to consider

innovative ways in which to leverage and maximise the significant value of their assets as the world once again becomes more mobile going forward.



INTERIOR DESIGN

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The office sub-sector also experienced significant negative impacts, but revenue streams were not as widely or extensively shut down as with the hospitality sector, given that many tenants were able to pay some or all of their rent through the crisis. However, office space is the one area where the post-Covid-19 future needs to be very carefully considered. The virus threw a bright spotlight on a truth that was already widely known, but largely ignored - which is that the way we use office space is evolving. With the potential for remote working now clearly demonstrated, workplace ecosystems are set to transform, and there is a real opportunity to completely rethink the role and purpose of office space going forward.



RETAIL & HOSPITALITY PROPERTY

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The same is true for retail property. The isolation resulting from Covid-19 lockdown responses illustrated the need that exists in African communities for human interaction. And retail destinations were highlighted as the spaces where such interaction is facilitated. While the impact of the pandemic was quite severe in this sub-sector, the recovery may also be swift - particularly given that online trade has not yet gained enough of a foothold to be a significant driver of shopping behaviour change. There is significant opportunity for retail developers to capitalise on the lessons learned over the past two months; the most important of which is the need to rethink the primary role of retail centres and change the focus from shopping centres to holistic experience destinations.

The light industrial sector, while not as severely impacted as the previously mentioned sub-sectors, also has the potential to position itself to capitalise on Africa's post-Covid-19 future. It is likely that online shopping will continue to grow in popularity across the continent, which has the potential to drive significant growth in the logistics industry. To make the most of this opportunity, sector participants will need to carefully and strategically think about where to locate future light industrial developments for maximum exposure and leverage.



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Caveats to keep in mind

There are undoubtedly opportunities for property in Africa to flourish going forward, but there are a few caveats to keep in mind. For one, if Africa wants to fully capitalise on its property development springboard potential, stakeholders in the sector have to avoid the temptation to now become bogged down in trying to anticipate the next global crisis or attempting to build such considerations into their property feasibilities.

While there is always the possibility of another Covid-type event, with global repercussions, the relatively low probability means that adjusting for it now will have little or no long-term impact on property development models - other than requiring large investments of time, intellectual resources and money that could be better spent elsewhere.

Uncertainty remains

Of course, that doesn't mean that investors and developers in Africa should simply be throwing caution to the wind and going full steam ahead with new developments they had planned before the pandemic struck. There is still much uncertainty about what the future holds. And while we can't forever be held captive by that uncertainty, we also cannot afford to ignore it. Where projects and developments can be delayed by a few months, it would almost certainly be prudent to do so. At least until the economic fog has lifted somewhat - particularly in terms of local currency stability, commodity prices and tenant sustainability - and the future is a little clearer.

ABOUT THE AUTHOR

Gerhard Zeelie, head of property finance Africa: Nedbank OIB

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