

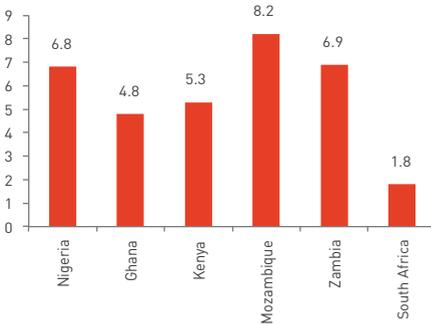


africa real estate

Africa real estate as an asset class is well supported by many of the key investment themes, which make Africa an attractive investment

Sustained levels of high economic growth

Current GDP growth rate (%)



Source: African countries: NKC (2014 forecast as at May 2014), others: www.tradingeconomics.com, 2014 forecast as at May 2014

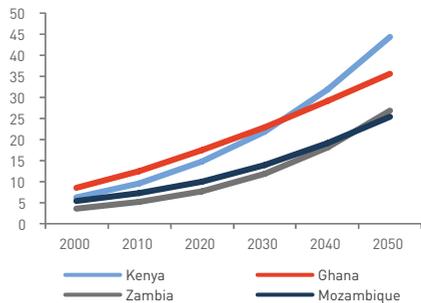
Many countries in sub-Saharan Africa, outside of South Africa are growing at GDP growth rates in excess of 4% per annum. The growth and development of these economies is creating demand for quality real estate in many cities where there has been limited investment in infrastructure since the mid part of the 20th century.

Growing populations and mass urbanisation

It is well documented that Africa's population is set to double over the next 40 years, from an estimated 1 033 billion people to two billion¹. This, in addition to the mass urbanisation that is taking place across the African continent, is further driving demand for quality real estate assets. The following graph shows the expected growth in the urban populations of Kenya, Ghana, Zambia and Mozambique.

destination. This is coupled with market demand and supply constraints that further add to the opportunities in this asset class.

Growth of urban populations in Kenya, Ghana, Zambia and Mozambique (millions)



Source: Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat, World Population Prospects: The 2010 Revision and World Urbanization Prospects: The 2011 Revision, as at 30 December 2013

The growing middle class

In 1980, 26% of Africa's population was considered middle class, and by 2010 this has accelerated to 34% according to the African Development Bank². This annual growth rate of 3.1% in the middle class is comparatively significant when considering the population growth was just 2.6%. It is this growing middle class that is driving demand for global products, services and brands. Many global retailers, including South Africa's Shoprite, PicknPay and Mr Price, are using this opportunity to expand their operations into Africa. The formalisation of these markets requires the support of a physical infrastructure that, in many cities, does not exist.

An example of this is the limited number of shopping centres in many of the major cities in Africa. To put this into perspective, the greater Johannesburg in South Africa has 84 shopping

malls servicing a population of eight million, whilst the countries included in the table below have less than four shopping centres across all major cities.

Comparison of country populations, current urban populations and the number of regional-size shopping malls

Detail	Ghana	Kenya	Mozambique	Nigeria	Zambia
Current population (m)	25	44	24	170	14
Current urban population (m)	13	11	7	85	5
Forecast 2050 urban population (m)	36	44	25	278	27
Number of regional-size shopping malls greater in size than 10 000m ²	2	4	0	4	2

Source: NKC, Momentum Africa Handbook 2013, Eris, Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat, World Population Prospects: The 2010 Revision and World Urbanization Prospects: The 2011 Revision, as at 30 December 2013

Repeating the South African experience

Real estate in South Africa has been one of the top-performing asset classes over the last 10 years and we believe the development and growth we have seen in this market will be repeated across the rest of Africa.

South African real estate has returned 17.5% per annum over the last 10 years, as measured by the IPD South Africa Property Index. Capital growth has accounted for an average of 8.3% of growth per annum and income 9.1% of the return. The market capitalisation of the JSE listed property sector has grown from US\$1billion to US\$25 billion over the last 12 years. As other African markets, such as the ones highlighted above, continue to grow and develop, we expect to see similar outperformance of the real estate asset class, as seen in South Africa.

Conclusion

The factors listed above, and many more such as increased political stability in the region, development of African financial markets, increase in foreign direct investment and the growth and development of local financial institutions, all bode well for this asset class and the potential returns for investors who are prepared to invest for the next 8 to ten years.

By: The Eris Property Group

Sources:

- 1) The Economist, 03 December 2011, From the Print edition
- 2) Source: African Development Bank – The Middle of the Pyramid: Dynamics of the Middle Class in Africa (20 April 2011)



Selected country overviews

2013/2014

Detail	South Africa	Nigeria
Nominal GDP (US\$bn)	355.93	504.32
Nominal GDP: World ranking	33 out of 188 countries (IMF)	25 out of 188 countries (IMF)
Real GDP (% change, y-o-y)	1.89	7.31
GDP growth: World ranking	127 out of 189 countries (IMF)	20 out of 189 countries (IMF)
GDP per capita (US\$)	6,743.64	2,904.82
Agriculture as % of GDP	2.55	22.22
Industry as % of GDP	28.57	25.32
Services as % of GDP	68.89	52.47
Total government debt as % of GDP	46.35	10.58
Total external debt as % of GDP	45.2	2.2
Consumer price inflation (average, %)	5.75	8.5
Current account balance as % of GDP	-5.8	3.7
Equity market: Size in US\$	US\$512 billion	US\$79.1 billion
Equity market: Listed companies	399 primary listings	200 primary listings
Bond market size	US\$119 billion government bonds outstanding in the domestic market	US\$53.5 billion (end March 2014) government bonds outstanding in the domestic market
Sources:	IMF, NKC Research	IMF, NKC Research, Bloomberg

Egypt	Kenya	Ghana
270.12	44.77	43.95
42 out of 188 countries (IMF)	84 out of 188 countries (IMF)	86 out of 188 countries (IMF)
2.1	4.7	6.28
123 out of 189 countries (IMF)	41 out of 189 countries (IMF)	42 out of 189 countries (IMF)
3,291.84	1,009.48	1,696.61
14.51	26.81	21.97
39.17	19.26	28.58
46.32	53.93	49.45
93.87	50.02	59.02
18.24	26.35	28.51
9.47	5.72	11.65
-1.6	-8.18	-12.98
US\$74.4 billion	US\$23.8 billion	US\$3.89 billion
238 including NILEX listings	63 primary listings	32 primary listings
US\$135 billion government bonds outstanding in the domestic market	US\$13.1 billion (end January 2014) government bonds outstanding in the domestic market	US\$6.03 billion (end December 2013) government bonds outstanding in the domestic market
IMF, NKC Research, Bloomberg, Ministry of Finance	IMF, NKC Research	IMF, NKC Research, BoG, Bloomberg