

Beyond 2021: Broll looks at the trends shaping the African property market

Broll Property Group has observed various trends across the countries in which it operates, including Botswana, Cameroon, Eswatini, Ghana, Ivory Coast, Kenya, Madagascar, Mauritius, Mozambique, Namibia, Nigeria, Réunion, Seychelles, South Africa, Uganda, and Zambia. It's found that while the Covid-19 pandemic has disrupted the property market across the board, new niche asset classes are also emerging.



Source: Supplied

Mozambique

“It is important to be future-focused, and while we are all looking forward to returning to the ‘new normal’, this is playing out differently across different countries,” says Jose Castiho, managing partner of Broll Mozambique. For example, while elsewhere there is an accelerating trend for multinationals to return to the office, this trend is not yet that noticeable in Mozambique.



Jose Castiho, managing partner of Broll Mozambique

“Besides Covid-19, there are other factors that have affected the oil and gas projects under development in our country. These were halted temporarily, which has had a major impact, as they are the main drivers of our economy. The good news is that these are likely to kickstart again from 2022 to 2024,” says Castiho.

While Mozambique waits for its oil and gas sector to bounce back, many companies are taking the opportunity to reorganise their office space and relocate to higher-grade buildings. “This is, in fact, what we anticipate for the next 24 months, as companies are obligated to ensure that their workspaces comply with all Covid-19 regulations,” says Castiho.

This trend will boost the demand for Grade A and Grade A+ office buildings. While there is a 30% vacancy rate at present, the vacant space is expected to be snapped up as new developments will take three to four years to bring to market. “This might have a positive effect on office rents, which we project to increase over the next 24 to 36 months,” says Castiho.

The residential market in Maputo is mirroring the growth in the commercial sector, with an increase in the number, quality and location of buildings in order to attract multinational clients. Some investors have been benefiting from lower prices due to the higher vacancy rates, and therefore they have an increased appetite for the lease segment market in the near future.

In terms of new opportunities, Castiho points to the burgeoning tech industry, where Broll Mozambique has been assisting with funding for startup companies, many of which have been successful. Castiho attributes this to a demand for ICT skills as the tech industry itself continues to expand rapidly.

Uganda

While many multinationals are back in the office in Uganda, they are still mainly operating in shifts so as to reduce the number of people in-office due to Covid-19 protocols, says Moses Lutalo, MD of Broll Uganda. “In the short to medium term, this is going to impact space requirements for some of our clients considering space reduction. However, in the long term, I do believe that the space requirements are likely to go up due to the increased need for social distancing. We are currently operating on a 10m² per person model, but due to Covid-19, this is likely to go up significantly.”

On the investor front, the trend is for diversified portfolios that include commercial, residential and industrial. Retail and hospitality, on the other hand, continues to remain elusive to investment. In terms of occupiers, safety, efficiency and sustainability are key decision drivers for all locations. “We are also witnessing an increase in owner-occupier

developments, especially on the part of government departments,” says Lutalo. In terms of emerging niche asset classes, these range from data centres to healthcare and even coldrooms, all segments that are gaining traction.

Kenya

In Kenya, most multinationals are still operating from home, with a slow trickle back to the office. “As a result, the demand for office uptake has reduced drastically. At the moment there are few enquiries, and notably these are for smaller spaces,” says Meshack Kimatu, finance manager at Broll Kenya. To counter this trend, investors are issuing flexible leases and improved commercial terms so as to attract tenants.

“On the other hand, developers may opt for buildings with flexible floor plates so as to tap into the new requirement of occupiers for smaller



Meshack Kimatu, finance manager at Broll Kenya



Moses Lutalo, MD of Broll Uganda

spaces. At the same time, we have seen some emerging trends like affordable housing, which is being championed by the government as one of its major social development agendas, as well as the emergence of data centres,” says Kimatu.

Ghana

Ghana has seen a similar shift in the commercial space due to Covid-19. Multinationals are gradually returning to the office, albeit on a hybrid system, while back-office staff, in particular, are still being encouraged to work from home. “This trend is likely to have a negative impact on space uptake in the near-term,” says Tony Sekyere, CEO of Broll Ghana. Market intel reveals that the average space uptake has dropped from a pre-Covid-19 level of 200m² to 350m² per transaction to a post-Covid-19 level of 100m² to 200m².



Tony Sekyere, CEO of Broll Ghana

Tenant subletting requests are, however, diminishing due to increased business confidence following a robust vaccination rollout. “In general, we have noted that the global financial crisis has eased investor appetite for real estate investment. This is likely to affect the development pipeline, with most investors deferring speculative projects,” says Sekyere.

Rentals of Grade A space have been on a downward slide lately, with landlords offering incentives such as extended rent-free periods and flexible payment terms to sustain occupier interest. The key emerging sector in the Ghanaian property market is data centres, driven mainly by the digitalisation policy of the government. “We anticipate that this sector will continue to grow rapidly,” says Sekyere.

While interest in student housing has been fuelled by a growing student population, actual investment has been delayed in this segment as education has not yet returned to a ‘new normal’. Lastly, Sekyere says the serviced office sector is gaining momentum as occupiers opt for more flexible options that are cost-effective and also promote the well-being of their workers.

Nigeria



Bolaji Edu, CEO of Broll Nigeria

“The longer-term trends in the Nigerian property market are currently unclear and difficult to project,” says Bolaji Edu, CEO of Broll Nigeria. Lagos, in particular, has a distinct multinational and domestic market segment, with little overlap between the two. The occupancy rate of Grade A office buildings is currently under 40%, as workers continue to work from home or opt for a hybrid model.

“This is leading to a fairly downbeat short-to-medium forecast,” says Edu, with the uptake of Grade A office space in H1 2021 at its lowest level since Broll started tracking the market. “We are not projecting a significant increase in H2 2021. However, with the rollout of vaccinations and the introduction of vaccine passports, business travel should bounce back and boost commercial activity. That being said, it is unlikely that multinationals with Nigerian operations will reverse the space-consolidation plans they have already started to implement.”

Any market change or disruption is likely to see the emergence of new trends, and Nigeria is no different. “Affordable and social housing remain a prominent topic of discussion. Other sectors seeing a rise in institutional activity and with long-term growth prospects include student housing, data centres and

healthcare and medical offices,” says Edu.

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