

## **Key Insights from the 2018 West Africa Property Investment (WAPI) Summit & Expo** Compiled by Northcourt – 16<sup>th</sup> November 2018

**Session title: Shifting your focus: Discover the untapped potential for sales success in your organisation even in a down economy.**

*Name of Speaker: Yamini Virani – Founder, Celebrus Business Strategies, USA*

Key Insights:

Taking a more careful look at helps us to discover more opportunities we never thought existed. There is always something new to learn about every subject matter or practice area. Three areas to focus on as a real estate professionals are; uncovering niche markets, understanding how buyers want to buy and translating boardroom strategy into ground reality. Product offerings can be changed but where the sales process remains the same these products will struggle in the market. It is important to learn shifting your focus from the 'why' to the 'what' and 'how' and identifying the resources that could make this happen will go a long way in translating boardroom strategy into ground reality.

**Session title: Mobilizing Domestic Capital for Real Estate Funding**

*Name of Speaker: Hakeem Ogunniran – Founder/CEO, Eximia Realty & Home4Me, Nigeria*

Key Insights:

The uncertainty of title, delays, market related issues, macro volatilities are the risk factors considered by investors when venturing into real estate transactions in Nigeria. On the returns side, competing asset classes, monetary policy rates and pricing are issues for consideration by the parties to real estate transactions. There are complaints on the ill-suited, complex and laborious regulations involved in real estate transactions. While these issues still exist, the size of the nation's bond market is \$25Bn with \$23.09Bn apportioned to the federal government, \$1.12Bn and \$0.08Bn apportioned to the sub-national and corporate categories respectively.

The size of Nigeria's pension fund is now ₦8.69Trn. Due to the nature and magnitude of real estate projects, the money market is largely unsuitable for financing real estate. This is due to high interest rates, short tenures and susceptibility to macro-volatilities. We can learn good lessons from how housing financing improved in Kenya due to supportive legislation for REITS and a growing cooperative system – the Sacco Societies Regulatory Authority (SACCO). Major legislative reform around property registration and the management of REITs were contributor to this growth. SACCOs account for 35% of National Savings and 26% of real estate investments in Kenya. The World Bank estimates that over 90% of housing in Kenya is undertaken by SACCOs. Co-operatives can serve as a new source for housing finance in Nigeria.

**Session title: Long Term Local Capital**

*Name of Moderator: Tayo Odunsi – CEO, Northcourt Real Estate, Nigeria*

*Name/Role of Panelist:*

*Kunle Osilaja, Head: Real Estate, Ecobank, Nigeria*

*Adeniyi Falade, MD, Crusader Sterling Pension, Nigeria*

*Patrick Ilodiana – MD, SFS Capital, Nigeria*

*Fola Aiyesimoju – Founding Partner, Themis Capital Management, Nigeria*

*Hakeem Ogunniran – Founder/CEO, Eximia Realty & Home4Me, Nigeria*

**Key Insights:**

Growth in GDP and the performance of capital market affects the performance of REITs in Nigeria. There is a need for harmonized legislation for REITs. For real estate projects, funds for development can be gotten through two channels: REITs or through Mortgage Banks. The inconsistency in valuation values is a big concern for pension funds. The Federal government bond is the leading method of funding due to its risk-free nature. Governance is key to the success of REITs, which are meant to negatively correlate the performance of equities. This does not happen in Nigeria and highlights a fundamental issue. Pension funds focus on ongoing yield which is difficult to sustain in Nigeria. A path for capital appreciation is to increase the cash generated by the asset. Real estate is an asset class competing for funds with other classes. A key problem in Nigeria's real estate market is that funding is from private equity capital which is short term in nature and can't fund long term projects. The real estate sector needs to create viable products and this requires skills, strong occupiers and capital. There is also a need to create pure asset managers and institutions that attract foreign investors. Cooperatives can be a source of funding for mass housing projects. A regulatory framework for REITs needs to be crafted to fit Nigeria's operating environment.

**Session title: The Changing Face of Asset, Property & Facilities Management in West Africa**

**Key Insights:**

*Name of Moderator: Bolaji Edu – CEO, Broll Property Group, Nigeria*

*Name/Role of Panelist:*

*Funke Okubadejo, Director: Real Estate, Actis, Nigeria*

*Femi Akintunde, Group MD, Alpha Mead, Nigeria*

*Chinwe Ajene-Sagna, Head: Business Development, Rendevour*

Property developers are searching for quality facility managers as outsourcing this service has become critical to the sustainability of existing business models. Proper asset management ensures that property assets perform to their potential sustainably. Facility and asset managers need to think more from the buyers perspective when strategising. There is also a need to leverage technology to improve service delivery in terms of quality and timeliness. Clients need to be happy to keep paying for services and the best facility managers monitor how quickly complaints are managed. Facility management is important to protecting the value of investments in the country and helps with keeping the major players in the industry.

Nigeria is moving towards communally built estates sharing common services. Quality and efficient facility management attracts and retains tenants. Hospitals are in need for facility managers due to the complexities of managing hospitals. Foreign investors need quality facility management companies in order to manage their offices and get the best from employees. Investment in technology helps with meeting international standards. A lack of robust competition amongst facility management firms is affecting the quality of the service area in Nigeria.

## **Session title: A 360 View of the Emerging Consumer Class**

*Name of Speaker: Ali Djire – Country Manager, Fraym, Nigeria*

### **Key Insights:**

Geo tagged data is important to understanding property markets. There is a need to identify the existing consumer class using the consumer identification systems. Efforts to create a unified consuming class led to the creation of an ABC classification matrix. In addition to consumers' income, households classification was done based on asset ownership and education levels into six distinct segments (A, B1, C1, D and E). The consumer class is defined as comprising A, B and C1 segments.

The largest African market is Egypt with a consumer class of 78 million people. This followed by Nigeria with 52 million consumers. Egypt, Nigeria and South Africa each have over 10 million people that are classified as premium A consumers. Considering consumer profiling is key for selecting areas for the development of retail stores. There is also a need to use data to map out the competitive landscape. Support ratio helps to calculate how many potential customers can support a retail store. Geo targeted campaigns can help in highlighting the location of key customers as it helps to identify the customer class per location and this helps to guide retail investors. Nigeria alone has 10 cities among the top 50 urban consumer markets in Africa and it's fast-growing commercial capital – Lagos has 9M ABC1 consumers.

## **Session title: Retailer & Developer Roundtable Debate**

*Name of Moderator: Ann Nvene – Head: Retail Leasing, Broll Property Group, Nigeria*

*Name/Role of Panelist:*

*Michael Chu'di Ejekam – Director, Retail Investment Platform, Nigeria*

*Laide Agboola – Co-Managing Partner, Purple Capital Partners Limited, Nigeria*

*Opeyemi Ajayi – Executive VP, Genesis Cinemas, Nigeria*

*Jan Van Zyl – Head: Property Development, Novare, Nigeria*

### **Key Insights:**

Despite the end of the recession, returns are very challenging for retail spaces. Asset management is challenging at the moment with the government taxes. However, diversification has helped with the challenging returns on investment. On average, the process of evicting a defaulting tenant takes 1.2 years in Ghana and 4.5 in Nigeria. 60% of income is spent on food and beverage in Nigeria and this went up to 75% during the 2017 recession. There seems to be an overreliance on fashion brands in shopping malls. There is a need for retail centres to allow for family entertainment and daily grocery shopping. Locating around densely populated areas is a key factor in the development of shopping malls as consumers not looking into long distance shopping. Need to identify retail stores that provide affordable consumer products.

Nigeria's film industry – Nollywood has been key to the expansion of cinema spaces in Nigeria and some other parts of Africa. Finding future growth areas with lower cost of land helps in reducing cost outlay and avoiding competition. Long-term thinking is important when considering retail investment. Shopping centres should be developed with a strong entertainment component as this increases patronage. We need to be realistic when investing in Land and not jump into certain real estate investments just because the opportunity is there. Retailer brands should be careful to ensure how we change our model because of a short-term downfall.

### **Session title: JLL West Africa Hotel Sector Update Revealed**

*Name of Speaker: Fabio Nava – VP, Capital Markets, JLL Hotels & Hospitality Group, South Africa*

#### **Key Insights:**

Governments moved from local debt to Eurobond debts and African governments yields are at a two-year high. The economic stability in Nigeria is quite low and it does not attract investors. Data transparency has improved in Nigeria thanks to 3rd party advisory services. There is a need for international diversity in the hotel business in West Africa. Diverse economies in West Africa foster stronger markets and the occupancy rates for hotels in Lagos are growing steadily. High development cost and acquisition of land are big issues in Hospitality in West Africa. A major issue West Africa's hospitality sector is the difference between projected and actual returns. International brand penetration in West Africa remains low and provides opportunity for investors

### **Session title: The Hotel Development Pipeline**

*Name of Speaker: Trevor J Ward – MD, W Hospitality Group, Nigeria*

#### **Key Insights:**

North Africa and Sub Saharan Africa have seen major growth in the number of rooms – 35 countries have pipeline deals spread across 103 cities. Sub-Saharan African accounts for 62% of the total pipeline in Africa. 54% of hotel deals signed are under construction in Sub-Saharan and Western Africa. Marriott accounts for 26% of the western African pipeline. Senegal accounts for 17% of the West Africa pipeline with 2,514 rooms. Cote d'Ivoire has 12% of West Africa pipeline.

### **Session title: Hotel Construction and Delivery in West Africa**

*Name of Moderator: Trevor J Ward – MD, W Hospitality Group, Nigeria*

*Name/Role of Panelist:*

*Andrew McLachlan – Senior VP, Development: Sub-Saharan Africa, Radisson Hotel Group, SA*

*Wesam Okasha – Senior Director Development West Africa, Hilton International, United Arab Emirates*

*Reşit Tolga Babüroğlu, – CEO, Ronisans Nigeria Construction Limited, Nigeria*

*Abi Adisa – Co-founder/CEO, Amara Suites, Nigeria*

#### **Key Insights:**

20% of hotel pipeline projects were signed over 5 years ago. There's a demand for hotel spaces in Lagos with about 75% occupancy rate. Coordination between the client and operators is key during turnkey projects and there is need to edge out competition in the hospitality sector by raising standards. Sourcing for funds is usually difficult in the hospitality business and there's a lack of proper hotel Managers in Africa.

### **Session title: The PropTech Roundtable**

*Name of Moderator: Tosin Ajose – Lead Advisor, DealHQ Partners, Nigeria*

*Name/Role of Panelist:*

*Luqman Edu, Chief Visionary Officer/MD, Filmorealty, Nigeria*

*Ola Awodipe, Head: Real Estate Operations, Mixta Africa, Nigeria*  
*Joel Amawhe – Founder/CEO, myPadi.ng, Nigeria*  
*Uba Nnamdi, Co-founder, HouseAfrica*

**Key Insights:**

There are bigger challenges that could be solved in the real estate sector which could be solved with proptech. Online Property listing is reducing the cost of real estate transactions by reducing the fees involved. A lacking central control is the reason why governments are yet to support Blockchain technology. But proptech brings about efficiency in the real estate industry as Blockchain helps with peer-to-peer sharing on a centralised ledger. It also allows for smart contracts which can be executed in a short time. It also allows for the tokenization of assets.

There is a need to identify the problems in the industry and look for a way to market services that supply solutions. There is a need to create a business case for the sharing of data in the real estate industry. The government needs to become a solution partner in the real estate industry. Also, collaborations need to happen between companies to increase data availability in Nigeria.

**Session Title: The Supply Drivers & Construction Cost Management Roundtable**

*Name of Moderator: Hakeem Ogunniran – Founder/CEO, Eximia Realty & Home4Me, Nigeria*

*Name/Role of Panelist:*

*Chris Titmas – MD, West Africa Region, Profica, Ghana*

*Sa'adiya Aminu – CEO, Urban Shelter Ltd, Nigeria*

*Peter Coker – MD, Previs Developments, Nigeria*

**Key Insights:**

One of the difficulties faced by players in the property sector is the acquisition of land. Another difficulty faced by the players is the rigorous processing involved in getting lands and properties titled. The bureaucracy involved in this has become the norm and while some states are taking conscious efforts towards easing this process, others have refused to give it attention. Streamlining the approval processes for land titling will make land more accessible. The government has increased its involvement in Public Private Partnerships and Joint Ventures. Financing of property construction remains a major challenge. Interest rates of commercial banks remain unfavorable at 25% - 27%. However, some players have leveraged on long standing relationships with banks to access funds to finance their constructions. The stability of inflation rates at 11% - 12% over the last few years have contributed a bit to the progress of construction in the country. The place of project management in construction cannot be overemphasized considering the current challenges still faced in the property sector. Unforeseen circumstances in the area of finance, power and manpower during construction tend to delay the project and could even lead to eventual abandonment. However, with strategic planning in view, the role of professional project management is further highlighted.

**Session title: The Property & Land Valuation Roundtable Debate**

*Name of Moderator: Rogba Orimalade – Chairman NIESV Lagos State Branch, Nigeria*

*Name/Role of Panelist:*



*ESV (Sir) Rowland E. Abonta – President, NIESV, Nigeria*  
*Yinka Omotosho – Immediate Past Chairman, RICS, Nigeria*

**Key Insights:**

The Nigerian Valuation Standards which will be coming to effect in January 2019. The use of tech for the purposes of valuation in Nigeria may be challenging because of the volatility in the economy. About 6,000 registered surveyors currently operate in Nigeria. There are regulations in place to allow collaboration between indigenous valuers and internationals. The Nigeria Institution of Estate Surveyors and Valuers is developing a data bank to be released soon.

**Compiled by Northcourt Real Estate**