

Key Insights from the 2018 West Africa Property Investment (WAPI) Summit Compiled by Northcourt – 15th November 2018

Session title: The Global View on Geopolitics, Oil & Macro-Economics

Name of Presenter: Dr. Andrew S. Nevin, Partner & Chief Economist, PwC, Nigeria

Key Insights:

Asides Sub Saharan Africa's growing population, populations in low and middle-income countries are growing faster than those in richer countries. The working age population in Africa will increase at a faster rate by 2020 as population figures decline in the rest of the world. Global debt hit a record of \$64Trn in 2016 and may trigger the next financial crisis – maybe in 2019. The Real estate sector was identified as the single most influential industry in Nigeria necessary to accelerate the country's growth. The right reforms in land and property ownership could unlock \$307Bn dead capital or 81% of Nigeria's GDP. Dead capital – i.e. capital tied up in unused assets remains a critical issue as the tendency to invest long term by Nigerians is low.

Session title: The Benefits of Strategic Planning

Name of Presenter: Bolaji Edu, CEO, Broll Property Group, Nigeria

Name/Role of Panelists: Olasupo Shasore (SAN), Partner, Africa Law Practice (ALP), Nigeria, Moshood Olajide, Partner & General Counsel: West Africa Market Area, PwC, Nigeria, Paul Onwuanibe, CEO, Landmark Africa Group, UK, Abutu Odu, Real Estate Partner, Olajide Oyewole LLP Legal Practitioners, Nigeria

Key Insights:

There is a need for a macro-reform in the real estate sector in Nigeria. However, making needed changes to the Land Use Act will be difficult as long as it remains part of the nation's constitution. There is also a need for the decentralisation of policies to increase efficiency in the real estate sector. Multiple taxation continues to be a problem in the real estate sector and there should be an ease of compliance for businesses. The Government needs to keep to contracts. The Land Use Charge is the harmonisation of all land charges but there should be a breakdown of the responsibilities for people who are to collect and people who are to pay.

Session title: Understanding the Evolving Demand Side of Commercial Real Estate

Name of Presenter: Nnenna Alintah, Head of CRES & Research, Broll Property Group, Nigeria

Key Insights:

There is a high vacancy rate for commercial spaces in Ikoyi and Victoria Island, which are at 77% and 55% respectively, and there is an oversupply in the commercial real estate market. Buildings with more amenities tend to have lower vacancy rates. There is also a high demand for turnkey and co-working office options.

Session title: The Demand Drivers Round Table

Name of Moderator: Nnenna Alintah, Head of CRES & Research, Broll Property Group, Nigeria

Name/Role of Panelist: Jemil Dawodu, MD, Cushman & Wakefield Excellerate, Nigeria, Anne Rinu, Head, Property, Nigeria & West Africa, Standard Chartered Bank, UK, Eme Essien, Country Manager, IFC, Nigeria, Aba N. Asante-Koranchie, Head, Corporate Real Estate Services, Broll Ghana

Key Insights:

Location and security are key when selecting commercial spaces. Flexibility of lease terms affects the demand for commercial property. Multinational organisations drive demand for grade A office space in Ghana with accessibility to the commercial buildings being a strong influence. There is a decrease in demand for office space and a noticeable demand for coworking spaces because of its flexibility and affordability. Millennials and the generations after prefer small spaces, which are already set up. There is also a need for green commercial buildings.

Session title: Modernising and advancing the real estate industry through technology

Name of Presenter: Abdulhakeem Sadiq – Founder/CEO, Zama, Nigeria

Key Insights:

This session's speaker gave a presentation on the rise of PropTech in Sub-Saharan Africa's (SSA) property markets. Starting out with a trend on internet usage in SSA, he pointed out that of the 153M daily internet users in the region, 64% of these users are in Nigeria. The internet has fast become an integral part of the property market in the country and there are emerging PropTech opportunities in the Nigeria market.

Electronic documentation can be used to review contracts and sign agreements from the comfort of one's home. Crowdfunding can also be used to finance developers and create real estate investment assets for individual investors with smaller funds looking for real estate opportunities. According to Deloitte, property markets will have to adjust and adopt blockchain for all transactions as property would be bought and sold by the click of a button.

Session title: The Data and Transparency Roundtable 2.0

Name of Moderator: Dolapo Omidire – Founder / CEO, Estate Intel, Nigeria

Name/Role of Panelists: Erejuwa Gbadegbo – CEO, IREP, Nigeria, Abdulhakeem Sadiq – Founder/CEO, Zama, Nigeria, Ayo Ibaru – COO, Northcourt Real Estate, Emeka Offor – Director, Strategic Communications, Nigeria Investment Promotion Commission

Key Insights:

There is a growing demand for data and while sharing it is a thorny issue, there has been progress. Data is important, but the insights and deductions it provides are even more critical. Enforcing the policies that improve the flow of data is foundational to the functioning of West Africa's real estate market. When we put out our research, we should invite commentaries so that it be criticised for better results. We need to find ways of collaborating on an individual level to increase the flow of data. An economy benefits from a transparent market and stakeholders need to realise this. While having data is important, the ability to draw out accurate deductions is critical to clients.

25% of the \$73Bn in investments gained by Nigeria in 2018 was in the real estate sector. The Nigeria Investment Promotion Commission has introduced an online platform to allow investment promoters put their opportunities in a more organised platform.

Session title: The Big Debate: Making Affordable Housing Truly Affordable

Moderator: Osagie Alfred – Director, Real Estate Management Services, Northcourt Real Estate, Nigeria

*Panelists: Tosin Oshinowo - Architect, cmDesign Atelier, Nigeria, Muritala Balogun – Deputy Director of the Lagos State Ministry of Housing, Dr. Kennedy Okonkwo – CEO, Nedcom Oaks, Nigeria, Jide Odusolu – CEO, Ogun State Property Investment Corporation
Emeka Offor – Director, Strategic Communications, Nigeria Investment Promotion Commission*

Key Insights:

The Government's focus on enabling the development of social housing such that it's leased out below market rates and targeted at low income earners will go a long way to create affordable housing. Developers should focus on affordable housing, as social housing would not be viable for developers due to the high cost of funds. Improving the affordable housing market can be achieved by enforcing policies that require developers to provide some units of their developments for social or affordable housing.

High housing costs can be reduced if the government cuts down approval fees which form between 10%-15% of housing development costs. Another contributor to high property costs is the absence of infrastructure. The cost of developing 1km of road ranges between ₦500M – ₦2.5Bn and state governments sharing borders can collaborate on providing connecting infrastructure.

Session title: The Mobilization of Private & Public Institutional & Development Financing for Affordable Housing

Moderator: Ifeoma Ezeokafor – Senior Investment Officer, IFC, USA

Panelists: Dr. Chii Akporji – ED, Strategy & Planning, NMRC, Nigeria, Feyi Boroffice, Senior Private Sector Development Specialist, World Bank, USA, Tola Akinhanmi, Ag. Head: Real Estate Finance (West Africa), Stanbic IBTC Capital

Key Insights:

For the purpose of this session, affordable housing was defined as housing targeted at mid-low income earners. Property registration and infrastructure were identified as major bottlenecks on the supply side of Nigeria's real estate market while low income and lack of mortgages are the key challenges of the demand side of the market. The government's role in providing affordable housing finance tends to be short term and catalytic. They are best impactful through policy formulation and enforcement. While single digit interest rates are not feasible in Nigeria, the government can provide subsidised housing and must be targeted to the right market.

Session title: The New Face of Housing Finance

Moderator: Ayo Ibaru – COO, Northcourt Real Estate, Nigeria

Panelists: Kehinde Ogundimu – Ag. MD, NMRC, Nigeria, Dr. Basheer Oshodi – Head, Islamic Banking, Sterling Bank, Nigeria

Key Insights:

The NMRC has set up the Nigeria Mortgage Guarantee Company to insure mortgages for first time homebuyers in the country. Placing emphasis on non-interest finance in the country, Sterling bank funded a developer to deliver 200 housing units in the country with the most expensive unit being less than ₦20M. This project would have been scaled up, but for sectorial limits banks place on their funds. Creating alternative real estate products is important as high rates in fixed income instruments have made real estate projects unattractive to commercial banks. The government needs to create a state of emergency in the real estate sector and consider investing significant funds in its real estate market.

Session Title: Nigeria's changing Residential Model

Moderator: Femi Oyinsan – CEO, Harbor Point Properties, Nigeria

Panelists: Priye Johnson – COO, MHF Properties Limited, Nigeria, Charles Onyeze – Partner, Knight Frank, Nigeria, Dr. Gbadamosi Yakubu – CEO, Monarch Investments Limited, Nigeria

Key Insights:

There is a rising trend for studio apartments as investment property. Largely driven by developers' response to the millennial market's demands, bluechip executives and expatriates are also opting for studio apartments. Factors influencing demand for studio apartments amongst millennials are better space management, functionality and cost of managing residential units.

Investors who buy bigger houses for investment purposes are now being advised to purchase multiple studio apartments to sustain portfolio cashflow. Facility management should be taken into consideration when designing new builds. Project managers are now making facility managers an integral part of their project development team. Occupiers of luxury apartments are ready to pay a 15% premium when offered quality facility management.

Session title: The Escalating Case for Coworking spaces

Moderated by: Ayo Ibaru – COO, Northcourt Real Estate, Nigeria

Panelists: Fareed Arogundade – Founder, Workstation, Nigeria

Nkechi Oti – GM, Ventures Park, Nigeria Modupe Odunyemi – Founder, Capital Square, Nigeria, Olaotan Towry-Coker – Founder, Cranium One, Nigeria, Olufunbi Falayi – CEO, Leadspace, Nigeria

Key Insights:

Factors considered by users before choosing a coworking space are; proximity to major transport routes, pricing, ability to raise startup funding, ambience, parking facilities among others. The importance of a good community manager sets the pace for how the coworking space will function and is critical to the mood of the coworking space. Coworking can be seen from an urban planning perspective where companies create remote work policies that encourage their staff to live close to where they work.

An accelerator or incubator program can be an added benefit for co-working spaces but must be part of a larger business model, well designed and structured. There must be significant investment in economic, locational and behavioural research before setting up a coworking space.

Session title: Africa's Next Property Investment Hub? The Lekki-Epe Area of Lagos

Moderator: Gbenga Olaniyan, Principal Partner, Estate Links, Nigeria

Panelists: Odunayo Ojo, Senior Development Manager West Africa, Rendeavour, Nigeria

Adegboyega Balogun, Managing Partner, Balogun, Balogun & Balogun, Nigeria

Lanre Fatimilehin, Director: Capital Markets, JLL, Nigeria Emeka Offor, Director, Strategic Communications, Nigerian Investment Promotion Commission (NIPC)

Key Insights:

The Lekki-Epe axis is projected to be one of the novel developments upon completion. The Dangote Refinery is said to be the biggest refinery of its kind in the world upon completion. With the ongoing deep seaport, shopping malls, and the various developments a total of 200,000 jobs are expected to be created by the end of the project. Sangotedo – close suburb has seen a 20% increase in its price of land as a result. Lekki, another close area has seen a 13% rise. Lekki is 16,500ha of land with the Dangote development accounting for 2,700ha. Besides many business concerns and ongoing residential projects, the zone has a customs office, police station, immigrations service and the like. Businesses can be registered within a 30-day period

Session title: The Implementation Of Green Building In West Africa - An IFC Edge Case Study

Name of Presenter: Dennis Papa Odenyi Quansah, IFC Green Building Lead, Ghana and Nigeria

Key Insights:

IFC commented on their \$1.5Bn investment in green buildings adding that investment opportunities for green buildings are estimated \$16.1Trn globally. The IFC's fourpart strategy for Green Buildings is: Investment and advisory for banks, investment and advisory for the building sector, EDGE Certification and Green Building Codes & Incentives. The EDGE Certification was introduced in recognition of the need for a measurable solution and to ascertain that buildings tested are at minimum 20% efficient. ALP Warehouse in Kenya is a new Green Warehouse (with 42% energy savings, and 49% savings in water usage) and first modern grade-A logistics park in Kenya.

Session title: Ghana Property Market Overview

Name of Presenter: Joseph Amo-Mensah, CEO, Broll Ghana Ltd, Ghana

Key Insights:

Residential Market vacancy rates stand at 40% on average, however demand is expected to go up over the next 12 months. Ghana Home Loans is partnering with Appolonia City to supply 2,000 housing units. Office space (A-grade) vacancy rates are estimated to be 25% with monthly rents ranging \$30 - \$37 per sqm. Industrial vacancy rates are 35% with monthly rents at \$10 - \$12 per sqm. Retail vacancy is at 10% on average with a large number of leases expiring in 2019. Over 30,000 sqm of retail space is to be added by 2019.

Turnover growth for retail stores was estimated at 15% - a result of the presence of anchor tenants. Vacancy rates on average are down to 9.5%. Cash flow recorded by the various retailers are also under pressure due to change in VAT structure. Mass-market brands seemed to have outperformed luxury International Brands as Payless Shoes, JET, MRP, DeCathlon and Shoprite continue to impress. There remains a wide gap in the market for more players in the mass market. Shoppers have indicated a preference for entertainment when they visit malls. Online Shopping was identified as still relatively small but growing in Ghana but growing as food, technology and electronics lead the list of contributors.



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