

Property Developers Size up Africa

Economic growth in Africa projected to surpass 7% this year, South African businesses are eyeing up the opportunities this presents. Amongst those are property developers, who stand to benefit significantly from economic expansion on the vast continent and therefore need to have a thorough understanding of the different local conditions that present themselves in African countries.

At 30.3 million square kilometres, Africa is large enough to fit China, the US, Western Europe, India and Argentina. It has the fastest growing population in the world, estimated to reach one billion in the next six years, and sub-Saharan Africa is also one of the most rapidly urbanising regions in the world with a fast growing middle class. According to a recent Mastercard Worldwide Insights Report, it now has 52 cities with more than one million people, which is more than double the number in 1990.

These statistics are proof that there is growth potential throughout the African continent, but property developers need to be properly appraised of the challenges, as well as the opportunities that this presents, says UCT Professor Francois Viruly, co-ordinator of the Property Development Programme (PDP) run at the UCT Graduate School of Business (GSB) in association with the South African Property Owners Association (SAPOA). For this reason, Viruly says the UCT GSB programme, widely acknowledged to be one of the most comprehensive for the property development sector in Africa, will include a special panel on development opportunities across the African continent, looking at the challenges and rewards of the process of moving into this space.

“Complicated land-rights, weak infrastructure and relatively high building costs are just some of the challenges that await property developers moving into Africa,” says Viruly. “However, most South African investors have a good understanding of these complex issues.”

Furthermore, Viruly believes that the political and economic reforms in many African countries, which are being well received by potential investors locally and internationally, will offset some of the risks associated with these markets. “Investors entering these markets have to have done their homework - and must be well aware of all the complexities involved,” he adds.

The African Development Bank has highlighted South Africa, Nigeria, Ghana and Kenya as the four countries that are set to trail blaze Africa’s recovery. But Viruly cautioned that property developers now, more than ever, need to take into account the social and environmental aspects of their projects, as well as taking cognisance of local conditions in the areas they are set to develop. For example, explains Viruly, what works in South Africa will not necessarily do as well in other countries. “A successful development should also be judged by the positive impact that it has on society,” he said.

The development of international sustainability norms has been a hot topic in South Africa and abroad for a few years, from building infrastructure for hosting major sporting events such as the FIFA World Cup to the Olympic Games, to environmentally sustainable housing projects and constructing environmentally friendly city buildings. “All participants on the programme are offered a clear understanding of the social, political, economic and technological factors that affect the success of property development,” says Viruly.

“While emphasis is placed on the financial outcome of projects, an equal emphasis is also placed on the fact that society has to live with the developments that are undertaken.”

Tanya Jeffrey, Director at Turner and Townsend, and Chair for the PDP Organising Committee agrees. “This year, we have also brought the green buildings aspect into the curriculum as a permanent feature, since we believe South African developers need to understand where the rest of the world is heading in terms of environmental concerns within the construction industry,” she says. “This is a rigorous programme that finds an appropriate balance between content, the development of analytical skills and understanding the dynamics of group work and excellent networking opportunities.”

The course is open to practitioners in the private and public sectors, as well as individuals associated with the property sector, including architects, quantity surveyors, engineers, project managers, contractors, developers, estate agents, as well as lawyers, bankers and valuers with the emphasis on sharpening skills and knowledge, as well as the interchange of ideas between a variety of stakeholders in the sector.