

JVs best for local property expansions in Africa

By [Thabang Mkokopanele](#)

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Local property companies looking to expand into Africa should look at doing so via joint ventures with seasoned developers on the continent like Atterbury, Alternative Real Estate fund manager Maurice Shapiro advised on Thursday, 18 October 2012.

Although Africa seemed to be the next growth area for property, "we are cognisant of the fact that developing in Africa is easier said than done", Shapiro warned.

Investing in long-term projects in the region is not always easy. Finding the correct properties and dealing with relatively slow-moving authorities can be stumbling blocks.

"We would rather back seasoned developers like Atterbury, as Hyprop have done via their investment into Mauritian based Atterbury Africa, over big South African institutions."

"Besides development risks, issues around security of tenure and liquidity are still too uncertain in some African countries. We prefer to be more conservative by investing offshore into companies like Growthpoint Australia, which offers a yield greater than 8.5%, and a solid risk-adjusted return in hard-currency."

Stanlib is set to launch a multimillion dollar development fund in Kenya and Nigeria, providing potential investors with exposure to the continent in a deal the asset manager says will provide lucrative returns.

Stanlib's direct property investments chief investment officer Amelia Beattie, said on Thursday that the company was looking at about R1.3bn in equity in its first direct property fund in Africa.

She said the Stanlib Africa Direct Property Development Fund would focus on retail led investments, which made up between 60% to 80% of its portfolio.

While Stanlib does have listed property in Africa, this is its first direct property fund to be launched on the continent.

"We are targeting 25% gross internal rate of return because we believe the underlying property fundamentals are strong. The risks are high but if you manage them properly, the rewards are high so we have rigorous risk management practices that we employ around this," Beattie said.

Beattie said Stanlib was looking to raise capital in November 2012 and believed funding would come from large South

African organisations, the Middle East and the US.

The scope for property development on the continent is enhanced by the involvement of retailers such as SA's Shoprite and Massmart, the latter recently acquired by Wal-Mart, with their insatiable demand for access to African markets.

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