

Fast-growing retail in Africa offers high returns

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The African continent is becoming a modern-day mecca for consumer industries in search of higher yield, and an increased demand for more modern retail formats and shopping centres is the result.



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Urbanisation and rising affluence are fuelling a boom in fast-growing cities, with a rising middle class clamouring for high-quality goods and services.

Peter Welborn, head of Africa at Knight Frank, a London-based property consultancy, said property investors and developers looking for emerging-market opportunities are increasing external investment in Africa, particularly as the growth markets of the past decade such as Asia-Pacific and central and Eastern Europe mature and the level of returns they offer begins to fall.

"Understanding the nuances of Africa's many markets - from governance issues, land-ownership rights and common currency, to cultural diversity and consumer-buying patterns - is critical for investors. Many African countries remain challenging places in which to do business, but for those able to steer their way through African property markets, there is the promise of high returns and significant growth potential," he said yesterday.

The World Bank now classifies 27 of Africa's 54 nations as either middle- or high-income countries. The African rush has already seen a deluge of local property developers scramble for sites.

In recent years, Zambia, Ghana, Kenya and Nigeria have seen a wave of retail construction activity. The Palms in Lekki, Lagos, regarded as Nigeria's first modern shopping centre, was opened in 2006, while Accra Mall, the first of its type in Ghana, opened in 2008.

As Africa's largest grocer, Shoprite last year partnered with Resilient Property Income Fund to build 10 shopping malls in Nigeria. The deal, worth more than R1bn, also involves Standard Bank and Group Five.

Shoprite, headed by Whitey Basson, envisions having 600 to 800 stores in Nigeria as the group pushes into the continent's highgrowth markets.

Other players making inroads in the African market include Atterbury, Stanlib, Hyprop, African Land Investments and Rockcastle Global Real Estate Company. Malcolm Horne, CEO of Broll Property Group, said South African retail was driving development in Africa. "Last year, SA was the single-largest investor in foreign direct investment in Africa, outside the country."

Broll has gained a rich understanding of the continent from delivering its professional property services across sub-Saharan Africa from eight country offices including Nigeria, Ghana, Malawi, Rwanda, Mauritius, Namibia and SA. By far, SA has the most welldeveloped and sophisticated retail market in Africa. In 2000, the country had 240 shopping centres, today it has more than 1,500. Retailers like Walmart-backed Massmart, Pick n Pay, Woolworths, Mr Price, Foschini Group and Famous Brands are also pushing into Africa.

The continent's consumer- facing industries are expected to grow by \$400bn by 2020, representing its single-largest business opportunity, a McKinsey report shows. French multinational retailer Carrefour has partnered with distributor CFAO to open shops in eight African countries by 2015.

CFAO, which will own 55% of the venture with Carrefour, aims to generate about R13bn in revenue yearly in 10 years from the link-up, and from revenue produced by the shopping malls it plans to construct.

Source: Business Day

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