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SUB-SAHARAN AFRICA
SNAPSHOT 2017

PART OF THE CBRE AFFILIATE NETWORK

CBRE

FOREWORD

As new markets open on the African continent, and others evolve and mature, access to the latest market data helps investors make the best property investment decisions. For this reason we have carefully compiled our research for the Broll Sub-Saharan Africa Snapshot 2017 which is packed with helpful information and insights with regards to the state of commercial property across certain African markets.

As African property markets are maturing, tenants are seeking out professional advice and landlords are gradually embracing the needs of multinational and large national space users. Both are driving a growing trend towards outsourced property services to further their goals of extracting value from commercial real estate, growing with new developments and optimising financial structures.

Being a part of the international CBRE Affiliate Network merges our forward thinking approach and African insight with global market knowledge, with the sole purpose of maximising the potential of your property, wherever it is.

Broll's ability to provide knowledge-based insight, compiled from years of experience as a trusted property partner and exacting market research, enables us to produce quality research. It also positions us to provide unique, cost-effective solutions that add value to our clients' assets and portfolios, empowering well-informed decisions and improving investment performance.

We hope you find the Broll Sub-Saharan Africa Snapshot 2017 useful in giving you insight into some of the property markets in Sub-Sahara Africa.

Malcolm Horne
Group CEO
Broll Property Group

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US$ exchange rates were as at the date of collecting information for each individual country thus are subject to review and change.

For a full list of sources please email research@broll.com

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GHANA

ECONOMIC OVERVIEW

In recent times, Ghana has been plagued with economic challenges such as declining growth, increasing inflation, a depreciating cedi and a deteriorating fiscal deficit, a situation which led to the country seeking economic assistance (a bailout) from the IMF in April 2015. Currently, under the New Patriotic Party (NPP) government, the country appears to be making progress in stabilizing the economy which is marked by an improvement in some macro-economic indicators, and given expert economic projections for the future, this is likely to be sustained. Based on these improvements Fitch recently revised the country's outlook from negative to stable.

Ghana's economic growth rate for 2016 was 3.5%, although lower than 2015's growth rate of 3.9%, this superseded the IMF's target of 3.3%. Additionally, Ghana's growth of 3.5% also supersedes the projected growth rates for sub-Saharan Africa by both the IMF (1.4%) and the World Bank (3.3%). In December 2016, the country successfully changed governments peacefully (from the National Demographic Congress (NDC) to the NPP) which spoke volumes about the resilience of the country's political stability. A new budget was presented that cut several taxes including the 5% real estate sales tax which is expected to boost the real estate sector by enhancing growth and reducing the housing deficit.

From 15.4% in December 2016, inflation dropped to 12.6% as at May 2017. Additionally, even though the cedi saw a sharp depreciation in the first three months of 2017, it appears to be recovering, with a calculated depreciation rate of 1% to the US$ in May according to the Monetary Policy Committee (MPC). This improvement in the macroeconomic environment allowed the Bank of Ghana (BoG) to further cut the interest rate from 26% (throughout most of 2016) to 25.5% in November 2016, 23.5% in March 2017 and to 22.5% in May 2017.

Overall, the country remains in a transition period but the property market remains relatively flat as it will take some time for the NPP's policies to start impacting upon the economy. Current forecasts for GDP growth by the IMF, World Bank and Fitch hover around 5.9% to 7%, representing a significant leap in growth.

RETAIL MARKET OVERVIEW

The retail sector is facing some challenges. Early 2017, trading figures remained below the expected targeted average for most shopping centres enhanced by the cedi deteriorating against foreign currencies, which made rents charged in US$ more expensive for tenants as earnings are in cedis. The depreciating local currency has further resulted in increased prices of imported goods. In addition, inflation, even though an improvement has been recorded, continues to erode disposable income. Meanwhile, e-tailing continues to register a positive impact on the retail sector as a whole bolstered by an improvement in the delivery of services to customers.

The retail market in Accra remains fairly stable with no significant new activity recorded, barring leasing activity which continues for shopping centres currently under construction. The 12,000m² Exchange Mall, scheduled to be completed towards the end of 2018, which has secured Pick n Pay as an anchor, has registered interest from known tenants looking to expand as well as from new local tenants. However, the take up of space has been slower than expected as a result of tenant pressure to reduce asking rentals, which is currently the norm. Average net asking rentals vary between US$40/m²/month and US$60/m²/month for space ranging from 50m² to 100m², but under current trading conditions lower rentals are being achieved particularly for newly established shopping centres with existing vacancies.

Kumasi Mall opened in the second quarter of 2017 with Shoprite and Game as anchor tenants, marking the official entry of formal retail space into the Kumasi market. Takoradi Mall (11,700m²), currently at the pre-letting stage with completion expected towards the end of 2018, has registered significant interest with Shoprite as the anchor tenant. Interest for space in shopping centres within the secondary markets appears to be increasing and has been primarily evident from local retailers, although certain international tenants have also shown keen interest. This increased interest may be attributed to retailers wanting to tap into the new western styled shopping centres, thus having first mover's advantage.

Given the significant impact that the exchange rate has on the retail market, the future of the sector is tied strongly to the performance of macroeconomic indicators such as the cedi and inflation which have only recently begun to show signs of recovery. Supply is anticipated to increase by approximately 61,728m² over the next 24 months which should prolong the tenant's market that is currently prevailing as landlords compete for tenants.

GHANA

OFFICE MARKET OVERVIEW

As a result of tough economic conditions, activity in the office sector remains relatively flat. Tenant enquiries continue but effective demand remains low with the take-up of space ranging from $100m^2$ to $250m^2$ mostly by insurance companies and banks. Notwithstanding the tough economic conditions, the competitive advantages of the core nodes (Ridge and Airport City) continue to drive activity as preference for these sought after locations remains high. Rents remain stable while landlords in certain instances continue to offer concessions such as rent reductions. Additionally, minimal activity has been recorded in the secondary markets, however, there has been sustained interest for newer properties.

The short-term outlook for the sector is fairly stable although activity within the market will be tied strongly to the performance of the cedi and the economy as a whole. Supply is expected to increase in the short- to medium-term with expected completions of ongoing developments, most of which will be owner-occupied. Once these developments are completed an increase in vacancy rates is likely as major tenants relocate to their own premises.

Approximately $124{,}000m^2$ of space is anticipated to come onto the market over the next 24 months. The general preference for core markets should assist in keeping demand steady. Moreover, net rents for A-grade spaces are also expected to hold steady in the short-term, currently at US\$35/m^2/month.

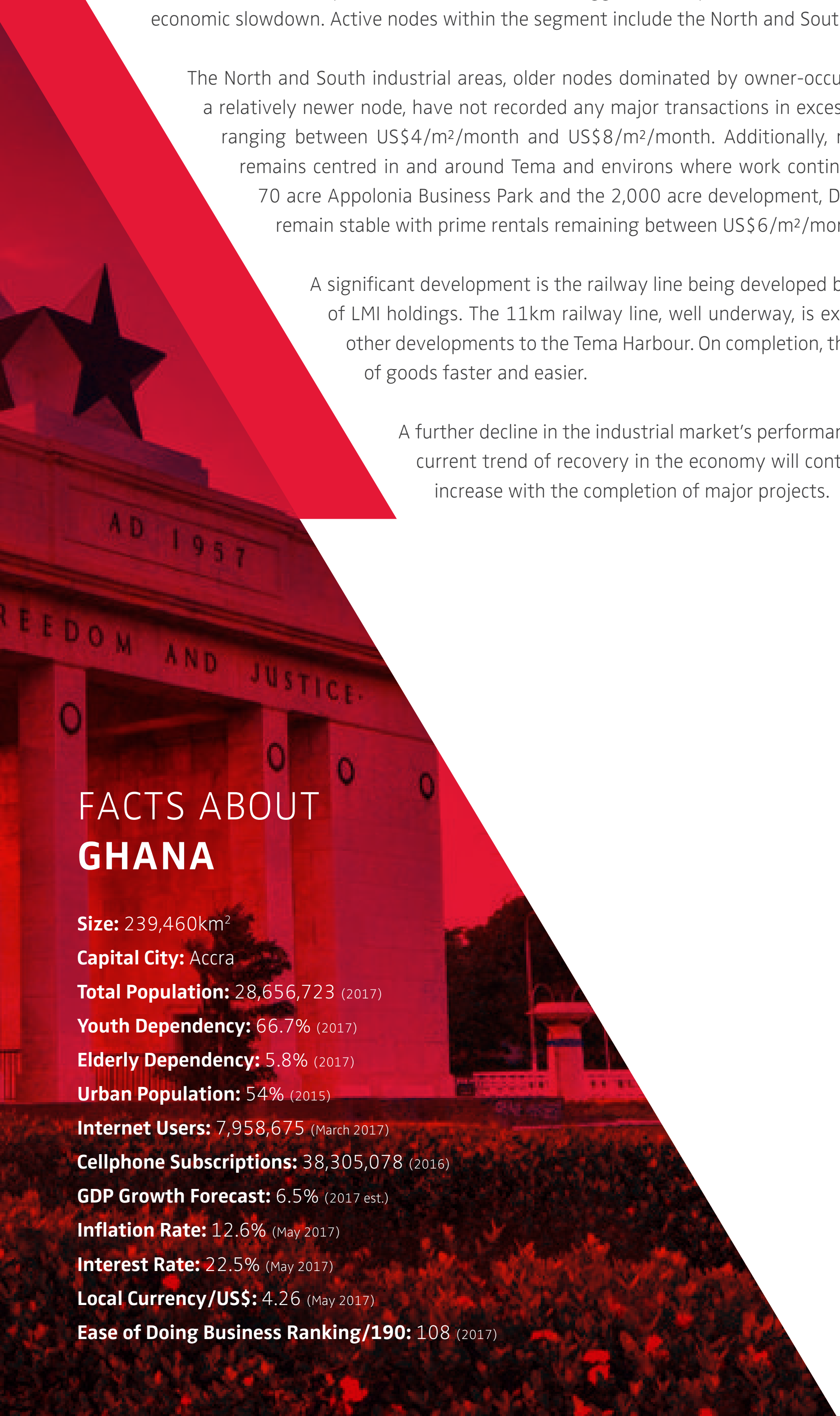
INDUSTRIAL MARKET OVERVIEW

The industrial market's performance has remained sluggish in comparison to other sectors, mostly as a consequence of the general economic slowdown. Active nodes within the segment include the North and South Industrial Areas, the Spintex Area and Tema.

The North and South industrial areas, older nodes dominated by owner-occupied developments, as well as the Spintex area, a relatively newer node, have not recorded any major transactions in excess of 500m^2. Rents in these nodes remain stable ranging between US$4/$m^2$/month and US$8/m^2/month. Additionally, most of the current activity within the market remains centred in and around Tema and environs where work continues on the 40 acre development by Agility, the 70 acre Appolonia Business Park and the 2,000 acre development, Dawa Industrial Park. Overall, supply and demand remain stable with prime rentals remaining between US$6/$m^2$/month and US$10.50/m^2/month.

A significant development is the railway line being developed by Trans Volta Railway and Shipping, a subsidiary of LMI holdings. The 11km railway line, well underway, is expected to link the Tema Free Zones Enclave and other developments to the Tema Harbour. On completion, the project is expected to make the transportation of goods faster and easier.

A further decline in the industrial market's performance is not expected based on projections that the current trend of recovery in the economy will continue. In the medium-term, supply is expected to increase with the completion of major projects.



FACTS ABOUT **GHANA**

Size: 239,460km^2
Capital City: Accra
Total Population: 28,656,723 (2017)
Youth Dependency: 66.7% (2017)
Elderly Dependency: 5.8% (2017)
Urban Population: 54% (2015)
Internet Users: 7,958,675 (March 2017)
Cellphone Subscriptions: 38,305,078 (2016)
GDP Growth Forecast: 6.5% (2017 est.)
Inflation Rate: 12.6% (May 2017)
Interest Rate: 22.5% (May 2017)
Local Currency/US$: 4.26 (May 2017)
Ease of Doing Business Ranking/190: 108 (2017)

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KENYA

ECONOMIC OVERVIEW

Kenya is regarded as East Africa's business and investment hub. The country's GDP growth has been relatively stable over the past four years with growth averaging above 5%. 2016 recorded an average growth of 5.8%, the highest percentage achieved since 2012. This year's outlook estimates a drop in growth to around 5.4% with factors in play being the general elections, to be carried out in August, which comes with uncertainties, the drought which has been persistent over the first half of the year and the continued effects of the capping of interest rates. Additionally, the year-on-year inflation rate increased from 6.99% in January 2017 to 11.70% in May 2017, representing an increase of roughly 67%. This increase can be largely attributed to increased food prices due to the continued drought in the country.

Kenya's borrowing interest rates have since August 2016 been capped at 4% above the Central Bank of Kenya (CBK) rate which currently stands at 10%. This has led to lower recorded lending volumes and reduced financial sector profits from lending, as a result of banks taking a more cautionary outlook when it comes to lending, with a strict preference for low risk borrowers.

The local currency has remained relatively stable against the US$ throughout the first half of the year, averaging KSh103 to the dollar. Infrastructure, which has a positive impact on economic growth, has seen great improvement with the launch of the Standard Gauge Railway which will see travel and freight time, to and from the coastal city of Mombasa, reduced significantly. This railway line will also connect the country to neighbouring countries such as Uganda. Road expansions and dualling of roads are underway with Mombasa Road, Ngong Road and the Eastern Bypass all undergoing expansions to improve carriage capacity and to ease traffic flow.

RETAIL MARKET OVERVIEW

Kenya's formal retail supply stands at an estimated 761,805m^2 with in excess of 250,000m^2 expected to enter the market over the next 18 to 24 months. Nairobi houses approximately 73% of the total number of shopping centres in the country. Additionally, over the past 5 years, the retail sector has experienced tremendous growth in number, quality of retail outlets and diversity of retailers. Three of the largest modern centres in the East Africa region have opened within Kenya in the last 24 months, Garden City (35,000m^2), The Hub (35,000m^2) and Two Rivers (67,500m^2).

Nairobi is experiencing an upsurge of shopping centres and with this, relatively high vacancies are being recorded especially within the newly established developments. The first half of the year has seen a significant slowdown in space take-up mainly due to the impending August general elections that have led many investors and potential occupiers to adopt a wait-and-see approach. However, there has been an interest in the Kenyan retail market from global retailers looking to tap into the country's burgeoning middle income population. Some of the international retailers already in the country include LC Waikiki, Woolworths, Carrefour, Foschini Group, F&F, Swarovski and Choppies, which bought out the local supermarket chain Ukwala, amongst others. Generally, the prime shopping centres are recording average occupancy levels of 90% while the newer, less established centres are achieving occupancies of below 75%.

The local retail scene is restricted by a narrow tenant base that is unable to support the vacant spaces available within the market. Consequently, most shopping centres have majority of the same tenants, hence a lack of product differentiation is evident. The process of acquiring tenants for newer developments is increasingly becoming taxing, evident in the delays in opening some centres due to failure in securing anchor tenants and significant occupancy rates. This has resulted in tenants having an upper hand as it provides the ability to negotiate lower rental rates and improved lease terms. Rental rates vary largely from centre to centre as well as from tenant to tenant. However, the average achieved rentals range between KSh300/ft^2 (US$31.26/$m^2$) and KSh350/$ft^2$ (US$36.47/$m^2$) per month.

Moreover, investors are gradually taking a county based approach to developing retail centres with the intention of tapping into the county based income and the benefits of the devolved government. Counties that are experiencing a surge in retail supply include Nanyuki, Nakuru, Eldoret and Meru amongst others.

KENYA

OFFICE MARKET OVERVIEW

The office sector has remained relatively stable in the first half of 2017 with rental figures and occupancies remaining fairly unchanged. This is anticipated to persist towards the end of the second half of 2017 as the effects of the general elections in August wear off. Potential office occupiers remain cautious with regards to office uptake prior to the general elections which brings uncertainties as well as concerns over a possible change in regime.

The most sought after areas remain Westlands and Upperhill as they hold the bulk of prime spaces. Upperhill however, is becoming increasingly unpopular due to the heavy traffic congestion experienced despite being the closest office node to the CBD. This factor coupled with the high supply of office space in the area, has forced landlords to significantly lower rental rates and ease lease terms in order to maintain and attract new tenants. Some A-grade buildings in the area are now charging the equivalent of B-grade rentals. There is a notable increased interest in the newer office nodes of Kilimani, Riverside and Karen, where space offerings are mostly A-grade in nature.

The office market generally suffers from poor pre-lets and pre-sales figures owing to poor delivery track records from local developers that affect tenants' plans. Vacancies recorded are below 15% save for buildings completed within the last two years, which are still struggling to acquire tenants. Rental rates achieved vary depending on the grade of the building, with A-grade buildings recording average monthly rates of KSh126/ft² (US$13.14/m²) while B-grade monthly rentals average KSh93/ft² (US$9.69/m²), both excluding VAT and service charges. Unlike rental rates, sale prices are not subject to the grade of the building but to a number of factors such as the developer, the set profit margins and the price at which the land was purchased/valued. Office spaces in Nairobi are sold at between KSh9,500/ft² (US$1,094/m²) to KSh14,500/ft² (US$1,667/m²) with a few outliers selling at KSh16,000/ft² (US$1,667/m²). Parking bays are selling at between KSh750,000 (US$7,260) and KSh1,500,000 (US$14,519) per bay.

INDUSTRIAL MARKET OVERVIEW

Demand for industrial space in Kenya has grown over the years which is evident in the growing number of industrial hubs being developed in Nairobi and its immediate environs. Historically, the industrial warehouses constructed were for owner occupation purposes as opposed to investment purposes. However, the growing demand from local and international companies in need of space, has since changed this narrative.

Kenya's warehousing industry operates at a primary level; meaning that warehousing is standard and the provision of total warehousing solutions is barely practiced in the market. The market predominantly has B-grade and C-grade spaces with A-grade warehousing remaining at its infancy stages. Currently, Kenya's first pure A-grade industrial development is under construction at Tatu City and is due for completion in 2020. This development has received interest especially from international warehouse occupiers seeking prime industrial spaces, indicating a great potential for developers and landlords in the coming years due to growing user demands and preferences. Vacancy levels are generally low in most of the industrial nodes averaging around 7%. Industrial Area is still experiencing an exodus of tenants seeking occupation in the newer industrial nodes of Mombasa Road, Eastern Bypass and Thika Road. These nodes have newer warehouses, coupled with improved infrastructure and access. The increase in industrial parks and consequent increase in space has led to rental growth stagnation, with monthly rentals averaging KSh35/ft^2 (US$3.65/m^2).

Furthermore, the growth of e-commerce in Kenya has led to increased demand for warehouse spaces. This is as a result of a change in shopping habits in favour of home deliveries as opposed to conventional shopping. A number of small scale online retailers have expressed interest in leasing warehouses in Nairobi.

Continued growth of the supply of industrial space in Kenya is anticipated following the completion and launching of the Standard Gauge Railway operations from a freight perspective. This milestone project is expected to increase the country's cargo handling capabilities while boosting shipping and freight volumes to landlocked countries by reducing travel time.

FACTS ABOUT **KENYA**

Size: 582,650km^2
Capital City: Nairobi
Total Population: 48,466,928 (2017)
Youth Dependency: 74.3% (2017)
Elderly Dependency: 5.2% (2017)
Urban Population: 26% (2015)
Internet Users: 37,718,650 (March 2017)
Cellphone Subscriptions: 38,982,188 (2016)
GDP Growth Forecast: 5.4% (2017 est.)
Inflation Rate: 11.7% (May 2017)
Interest Rate: 10.0% (May 2017)
Local Currency/US$: 103.26 (May 2017)
Ease of Doing Business Ranking/190: 92 (2017)

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MALAWI

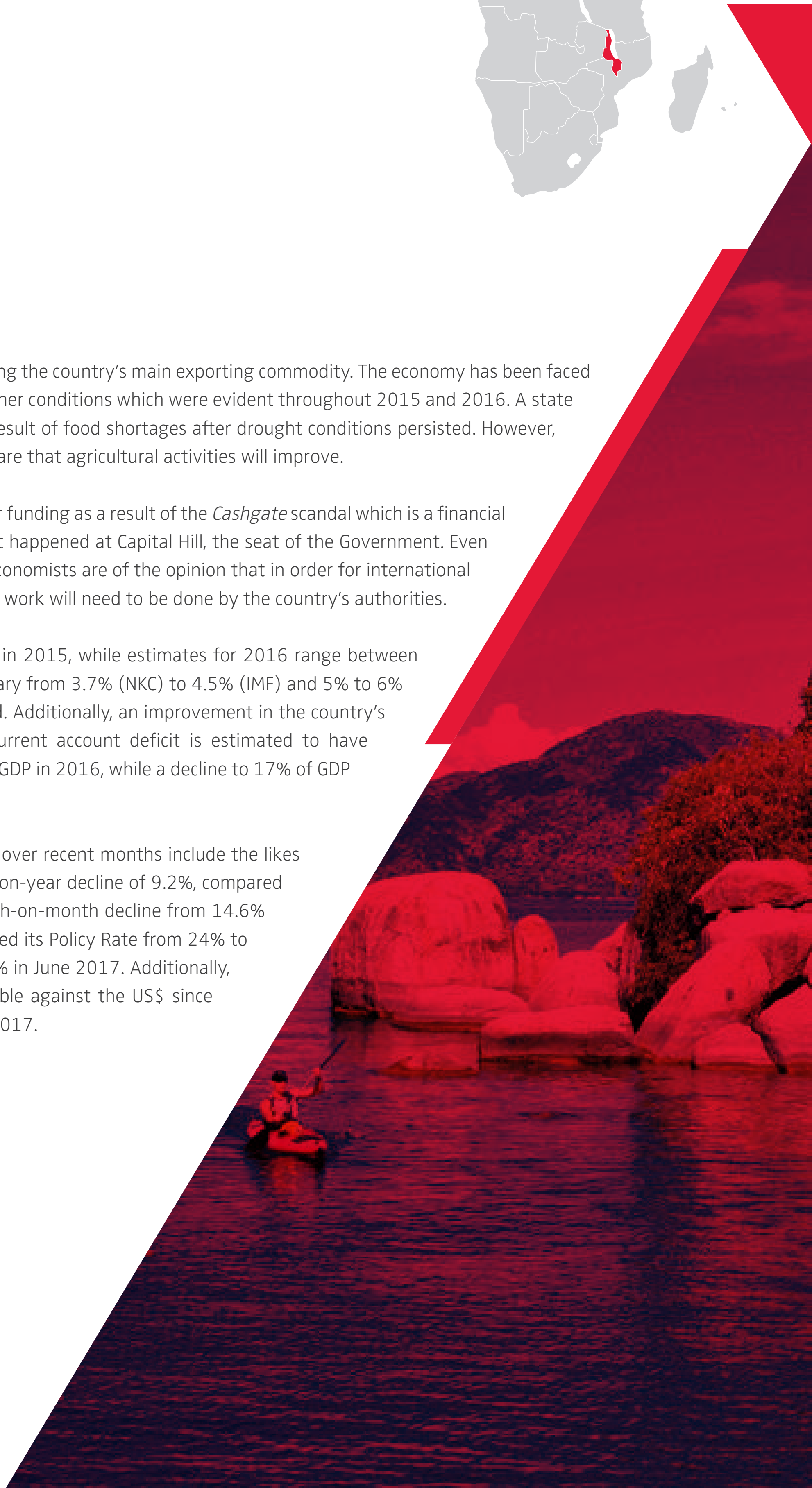
ECONOMIC OVERVIEW

Malawi is an agro-based economy with tobacco being the country's main exporting commodity. The economy has been faced with challenging times largely due to adverse weather conditions which were evident throughout 2015 and 2016. A state of national crisis was declared in April 2016 as a result of food shortages after drought conditions persisted. However, subsequent rainfall has been noted and estimates are that agricultural activities will improve.

In 2013, the country lost a large portion of its donor funding as a result of the *Cashgate* scandal which is a financial scandal involving looting, theft and corruption that happened at Capital Hill, the seat of the Government. Even though the World Bank has resumed its support, economists are of the opinion that in order for international donors to provide their support once again, a lot of work will need to be done by the country's authorities.

GDP growth declined from 5.7% in 2014 to 2.9% in 2015, while estimates for 2016 range between 2.27% to 2.7%. Furthermore, forecasts for 2017 vary from 3.7% (NKC) to 4.5% (IMF) and 5% to 6% (RBM), thus an improvement in growth is expected. Additionally, an improvement in the country's current account deficit is also envisioned. The current account deficit is estimated to have increased from 11.9% of GDP in 2015 to 18.2% of GDP in 2016, while a decline to 17% of GDP for 2017 is forecasted.

Economic improvements which have been evident over recent months include the likes of the CPI declining to 12.3% in May 2017, a year-on-year decline of 9.2%, compared to 21.5% recorded in May 2016 as well as a month-on-month decline from 14.6% in April 2017. The Reserve Bank of Malawi decreased its Policy Rate from 24% to 22% in March 2017 and a further reduction to 18% in June 2017. Additionally, the Malawian kwacha has remained relatively stable against the US$ since mid-2016 recording MWK717.33/US$ as at May 2017.



RETAIL MARKET OVERVIEW

Blantyre and Lilongwe are the main retail destinations within Malawi. Overall, the country has a few major retailers present within the market and as such occupancy rates within shopping centres are generally over 95%. Retail rental rates vary from shopping centre to shopping centre as well as from city to city. However, on average Lilongwe records higher rentals in comparison to Blantyre, with average net achieved rentals across both markets ranging from US$15/$m^2$/month to US$20/m^2/month.

Rentals for major shopping centres are usually charged in foreign currency, either in US$ or South African Rands. This exerts pressure on the tenants due to currency fluctuations and can result in tenants struggling to meet their monthly financial commitments. However, the demand for retail space in these centres tends to be high especially for smaller shops measuring less than 100m^2.

Despite there being no current development of new large scale retail centres, the development of several small retail shops has been noted along main roads as well as within residential areas. Furthermore, two major retail centres are anticipated for Lilongwe within the next two to three years. These new centres will pose a threat to existing centres thus increased repairs and maintenance to current centres as well as the offering of incentives to tenants may become evident in the near future.

Shopping centres in Malawi are somewhat of a new phenomenon and with the vast majority of the country's population (80%) being below the age of 35, such centres are anticipated to thrive in the long-term.

MALAWI

OFFICE MARKET OVERVIEW

In both Lilongwe and Blantyre, Government is the major office occupier. Additionally, unlike retail rentals most office rentals are charged in local currency, with the average rental for prime space being around US$15/m²/month. The demand for offices is currently greater than the available supply in both cities, evidenced by several offices operating from residential areas that are in close proximity to the CBD. The conversion of residential units into offices, where lower rentals are charged, is currently posing a challenge to new office developments and consequently limits rental increases.

The supply of offices within Lilongwe, especially in the City Centre, is expected to increase as a substantial number of office blocks become available within the next three years. Furthermore, the Government is also building additional office blocks within Lilongwe and once completed, supply is envisioned to outstrip demand.

INDUSTRIAL MARKET OVERVIEW

The supply of industrial units is increasing across the country though the extent of increased supply varies from city to city. Lilongwe is currently registering continued supply of industrial units, however, the availability of industrial plots has been limited thus developers have been constructing units in unplanned peripheral areas of the city. This poses a challenge in terms of security and distance from these locations to residential areas and the CBD, thus restricting the possibility of achieving high rentals. Average rentals are around US\$3/m^2/month for prime industrial areas in Lilongwe, US\$2.5/m^2/month for Blantyre and around US\$2/m^2/month for peripheral areas in Lilongwe.

Demand for industrial units has been increasing as of late largely attributed to a bumper harvest and companies looking for temporary space for agricultural produce and imported merchandize. The majority of enquiries noted have been for industrial units in already developed areas such as Kanengo in Lilongwe and Chirimba or Makata in Blantyre. In terms of occupancy rates Lilongwe is achieving over 80% as compared to around 75% in Blantyre.

Future growth in Malawi's industrial market is likely should the Government implement its policies that are geared towards increasing exports and reducing imports, by promoting the exporting of processed products.

FACTS ABOUT **MALAWI**

Size: 118,484km^2
Capital City: Lilongwe
Total Population: 17,749,826 (2017)
Youth Dependency: 87.0% (2017)
Elderly Dependency: 6.7% (2017)
Urban Population: 16% (2015)
Internet Users: 1,670,839 (March 2017)
Cellphone Subscriptions: 7,178,384 (2016)
GDP Growth Forecast: 3.7% (2017 est.)
Inflation Rate: 12.3% (May 2017)
Interest Rate: 22.0% (May 2017)
Local Currency/US\$: 717.33 (May 2017)
Ease of Doing Business Ranking/190: 133 (2017)

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MAURITIUS

ECONOMIC OVERVIEW

Since the country's independence, the government has created free-market economics which led to a highly competitive market moving the country from a low income to an upper-middle-income country with GDP per capita at around US$9,800 in 2016.

The wealthiest individuals in Africa are in Mauritius with wealth per capita in 2016 of US$25,700, according to a report from the AfrAsia Bank. This is more than double that of South Africa which finds itself in second place at US$11,300. Mauritius also enjoyed the highest growth rate in wealth per capita in 2016 of just over 20%. In addition, even though South Africa has the highest number of high net worth individuals (HNWI) on the continent, Mauritius experienced the largest year-on-year growth in the number of HNWI. Over a ten-year period (2006 – 2016) the country saw a continent-leading 230% growth in HNWI with the impact of this growth most evident in demand for high-end residential property.

Due to the fact that Mauritius has no natural resources to exploit, the economy is highly dependent on tourism, information technology and financial services. GDP grew by 3.7% in 2016, an average of around 3.8% from 2010 to 2016 which is expected to be maintained in 2017. Headline inflation averaged around 1% in 2016, however, inflation rose sharply in the first five months of 2017 up to 5.9% in May 2017 which may impact on interest rates, currently at their lowest levels in more than a decade.

Public sector investments in infrastructure are likely to have a significant impact on the economy in the near future with significant investment scheduled in Mass Transit (Light Rail Transit), road decongestion as well as a program to rejuvenate the capital city of Port Louis, which has suffered from significant urban decay over the past decades. Some uncertainty remains regarding plans to relocate government services out of Port Louis to a new purpose built administrative centre, such plans seem to have been shelved for the near future. Additionally, the re-negotiation of the Double Tax Avoidance Treaty with India has created some uncertainty with regards to the future of the off-shore finance sector in Mauritius. However, a significant adverse impact on the economy as a result of this has not been evident as of yet and the financial services sector appears to be in good health.

RETAIL MARKET OVERVIEW

Mauritius has a diverse retail market ranging from formal shopping centres to local markets and informal retail in the form of hawkers on the streets and beaches. Since the development of Grand Baie La Croisette in the north, Mall of Mauritius in Bagatelle as well as the renovations and extensions of Phoenix Mall and Trianon Shopping Park, little new retail developments have taken place. The latter three centres lie along the M1 motorway just outside the main residential conurbations of the island and in a sense form the retail backbone of the country. The Mall of Mauritius remains the largest retail centre in Mauritius measuring 44,521m². Plans exist for the future development of approximately 50,000m² along the M1 axis, however this remains at the pre-conception stage.

Luxury retail remains a key focus of retail in Port Louis, the Mall of Mauritius and in the tourist centric northern region of the country, however, traditional markets still form a significant part in local retail trading. Local markets range from small back street village markets to big town markets such as Port Louis Central Market, Quatre Bornes Market and Flacq Market, the largest outdoor market in Mauritius.

Demand for prime retail space within the Plaine Wilhems (Central Region) and the Port Louis area remains strong with vacancy rates of less than 5% being recorded. Average rent for prime retail space is approximately Rs790/m²/month (US$23/m²/month) with the Central Region achieving the highest rates at around Rs970/m²/month (US$28/m²/month).

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MAURITIUS

OFFICE MARKET OVERVIEW

The prime office areas in Mauritius are found in the capital Port Louis as well as in and around Ebene CyberCity which is roughly 15km to the south of Port Louis.

Port Louis has a recorded office stock of about 134,000m² with no major office developments in the pipeline. Demand for office space in the area is stable with occupancy levels at about 73%. Additionally, current office rentals are around Rs450/m²/month (US$13/m²/month). Demand for space in the region is expected to remain stable, with some speculation existing around the scheduled development of a mass transit system and its possible effect on the capital. Uncertainty remains around government plans to relocate central services to a purpose built administrative centre, such plans appear to have been shelved for the near future. Should these plans be implemented, it is likely that this would significantly increase the vacancy rates of office buildings in the capital over the medium term, while simultaneously providing a boost to the construction industry. Further speculation can be noted on plans and efforts to revive the urban core, which apart from the CBD has seen significant urban decay.

The demand for prime office space in Ebene CyberCity is strong and the region dominates the office market in Mauritius. Due to a steady increase in supply, rental values have remained stable over the last 5 years. The current office stock is around 275,000m² with approximately 24,000m² currently under construction which is expected to come onto the market by 2018/19. Demand for office space in Ebene is strong with occupancy rates above 95% and with current monthly rentals in the region of Rs465/m² (US$13.5/m²). One of the biggest hurdles faced by Ebene CyberCity is an outdated public transport system, traffic congestion and a severe lack of parking spaces, resulting in most of the internal roads being partially obstructed by illegally parked vehicles further aggravating the traffic situation.

Secondary office markets do exist in other urban and sub urban locations, however these are generally small in nature.

INDUSTRIAL MARKET OVERVIEW

The prime industrial areas found in Mauritius include Phoenix, Pailles / Plaine Lauzun, Coromadel, la Tour Koenig and Riche Terre industrial estates, as well as the Port area in Port Louis and the Airport area at Plaisance.

Low yields with limited rental growth and ageing stock have made the industrial market relatively unattractive as an investment. Most industrial properties are either owner occupied or the occupier owns only the building while the land is held on a leasehold basis, although a number of such parcels of land have subsequently been sold to the occupiers. Additionally, a number of occupiers have also relocated to small storage space units in an attempt to reduce occupancy costs.

There are currently no major industrial developments on the horizon, and the market is expected to remain at the same status quo for the foreseeable future.

FACTS ABOUT **MAURITIUS**

Size: 2,040km^2
Capital City: Port Louis
Total Population: 1,281,353 (2017)
Youth Dependency: 25.8% (2017)
Elderly Dependency: 14.7% (2017)
Urban Population: 40% (2015)
Internet Users: 803,896 (March 2017)
Cellphone Subscriptions: 1,814,000 (2016)
GDP Growth Forecast: 3.8% (2017 est.)
Inflation Rate: 5.9% (May 2017)
Interest Rate: 4.0% (May 2017)
Local Currency/US$: 34.68 (May 2017)
Ease of Doing Business Ranking/190: 49 (2017)

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MOZAMBIQUE

ECONOMIC OVERVIEW

Mozambique has experienced rapid economic growth in the past few years as a result of mega projects in mineral resources, infrastructure and energy. The country is endowed with rich and extensive natural resources and its economy is based largely on agriculture. However, industry, mainly food and beverages, chemical manufacturing, aluminium and petroleum production are in a significant growth development phase while the country's tourism sector is also fast becoming a relevant driver of economic growth. Furthermore, the country's growth potential is envisioned to increase over the next decade partly attributed to coal, gas and oil projects as well as the discovery of the world's largest graphite mine, heavy mineral sands, precious metals, diamonds and the possibility of discovering viable oil reserves.

Nonetheless, Mozambique's short-term outlook is somewhat uncertain as the economy has been slowing over the last year. Annual GDP growth averaged 7.3% from 2006 until 2015 which can be attributed to the growing contribution of the manufacturing sector. However, the country's GDP growth slowed to 6.6% in 2015 due to lower export earnings, public expenditure and the ongoing debt scandal and is expected to have declined further in 2016 to 3.3%. Forecasts indicate that an accelerated growth of 4% in 2017 is likely.

Inflationary pressures also continue to negatively affect the economy, primarily as a result of the regional drought which has led to soaring food prices. Inflation recorded 21.27% as at April 2017, an increase from 17.29% in April 2016 and 2% in April 2015, while being a slight decline from 21.57% in March 2017.

The growth of the real estate sector has largely been driven by the discovery of large reserves of gas, coal and oil. The discovery of these resources has generated increased wealth in the country which is allowing the government to improve infrastructure in order to attract large investments in other sectors such as agriculture and tourism.

RETAIL MARKET OVERVIEW

The retail market has seen good growth over the last few years on the back of the rising middle class and growing consumer base. Coming from a predominantly informal platform with marginal street retailing, through to a stand-alone supermarket platform, the sector is now evolving rapidly into a shopping centre based market with a significant number of centres expected to open until year end, not only in the Maputo region but also throughout the major secondary locations in the country such as Matola, Pemba, Beira and Tete.

Good economic growth over recent years has increased the demand for formal retail, which is expected to continue growing, prompting a number of South African retailers to enter the market or to expand their existing footprint, which include brands such as Shoprite, Woolworths, Game and Food Lovers Market. Recently, the market has also received retailers from other countries such as Choppies from Botswana and Sonae Group from Portugal.

As the success of a retailer in Mozambique depends partly on their ability to distribute goods, and aspects such as transportation and logistics constraints can hamper supply chain efficiency, many international brands are entering the market associated with local partners or franchisees in order to reduce entry risks. Average asking rents are around US\$28/m^2/month for prime retail space measuring between 100m^2 to 200m^2.

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MOZAMBIQUE

OFFICE MARKET OVERVIEW

The office market has been underpinned by good economic growth and increased interest from foreign companies entering the market on the back of mega projects. As a result the supply of office stock has increased recently with a number of new, quality office buildings having entered the market. Most newly constructed space is being occupied by multi-national companies and the ever increasing banking sector, with older stock generally being taken-up by the growing domestic SME market. Some of these new developments are tenant driven and occupied by single users. However, due to the delayed launch of certain mega projects a slowdown in demand is expected and declined prices are now evident in comparison to rates which were achieved a few years ago when a shortage of stock was evident.

Average asking rents vary from US$21/m²/month to US$33/m²/month depending on the grade of the building. P-grade offices have asking rentals of US$33/m²/month with A-grade buildings asking around US$29/m²/month. Prime office locations within Maputo, the capital city of Mozambique, are situated in the central business district (CBD) and the upper class residential and hospitality areas. While the secondary office locations are found in the older residential areas where residences have been converted into offices due to the historic shortage of modern office space.

INDUSTRIAL MARKET OVERVIEW

Mega projects and the continued infrastructure investments within the country are expected to have a positive impact on the industrial sector, however, currently, transportation capacity and logistics remain a big challenge. The fast growing demand from industrial and trade operators for industrial premises in the last decade has emphasized the lack of modern industrial buildings and logistics facilities, with the majority of established large companies in the Maputo and Matola industrial areas investing in the construction of their own premises. However, with regards to industrial spaces that are available to let prime asking rentals have been recorded at approximately US\$6/m^2/month for space in excess of 1,000m^2.

The importance of the Ports of Maputo, Beira and Nacala as major import and export destinations will be further boosted by increased infrastructure spend and economic growth in surrounding landlocked countries which will put pressure on this sector to grow beyond its current capacity.

The government has acknowledged the importance of this sector and to this extent, has created a number of special economic zones (SEZ) which include industrial free zones (IFZ), e.g. Nacala SEZ, Mocuba SEZ, Manga-Mungassa SEZ and Beluluane IFZ.

FACTS ABOUT **MOZAMBIQUE**

Size: 801,590km^2
Capital City: Maputo
Total Population: 29,537,914 (2017)
Youth Dependency: 86.9% (2017)
Elderly Dependency: 6.5% (2017)
Urban Population: 32% (2015)
Internet Users: 1,834,337 (March 2017)
Cellphone Subscriptions: 18,404,857 (2016)
GDP Growth Forecast: 4.0% (2017 est.)
Inflation Rate: 21.3% (April 2017)
Interest Rate: 21.8% (May 2017)
Local Currency/US\$: 68.50 (May 2017)
Ease of Doing Business Ranking/190: 137 (2017)

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NAMIBIA

ECONOMIC OVERVIEW

The start of 2017 has been a trying time for most industries within Namibia with the first quarter GDP recording a negative 2.7% growth rate, whereas the same period in the previous year recorded an increase of 4.1%. The main reasons for this negative growth have been attributed to declines in the construction, manufacturing, wholesale and retail as well as hotel and restaurant sectors which contracted by 44.9%, 10.7%, 7.4% and 9.3% respectively.

On an annual basis, between 2010 and 2015 the country recorded GDP growth rates averaging between 5% and 6% per annum, however as at 2016 only 0.2% was achieved, and although this is a substantial decline, a gradual recovery is anticipated as a GDP growth rate of approximately 2.6% is predicted for 2017. Economic experts indicate that the higher growth rate for 2017 is being attributed to the expected improvement in the performance of mining exports, increased output at new gold, uranium and copper mines as well as drought relief as a result of rainfalls.

The prime lending rate has remained stable since April 2016 at 10.75% while the annual inflation rate has been experiencing monthly increases as well as decreases over the same period of time, with a marked decline being evident throughout 2017 thus far. The y-o-y inflation rate as at May 2017 was recorded as being 6.3% which is a y-o-y as well as a m-o-m decline from the 6.7% noted in both May 2016 and in April 2017.

Namibia's urban population has been estimated to be around 47% with an urbanisation rate of over 4% per annum. Furthermore, political stability is one of the factors that has ensured continued investment in the country with increased consumer spending and a general relief for retailers being forecasted by mid-2018.

RETAIL MARKET OVERVIEW

Namibia enjoys an advanced retail sector with an existing presence of a number of South African based retailers. Even though various retailers are expanding they are cautious in their selection of new sites and the scrutinisation of rentals during lease negotiations has become evident.

Small to medium sized line shops are feeling the pinch as a result of the current economic climate. On average foot traffic in shopping centres has shown a decline, triggered mostly by the expansion of retail in Windhoek, Swakopmund, Walvis Bay and a few smaller villages in the country's Northern regions. As a result, both turnover and trading density figures in general have been negatively impacted, although an upswing has been evident in certain centres. Within Windhoek occupancy levels are high with an average vacancy rate of 1% being evident, moreover, average prime rentals are around US\$27/m^2/month for spaces ranging between 100m^2 and 200m^2.

An increase in the appetite for retail upgrade and expansion has been noted, partly as a result of the anticipated improved economic conditions. Such upgrades and expansions include the likes of the Wernhil Park Shopping Centre expansion of 18,500m^2, the refurbishment of Gustav Voigts Centre in the CBD as well as the refurbishment of Maerua Mall, all of which are commencing in 2017/2018.

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NAMIBIA

OFFICE MARKET OVERVIEW

Namibia's office market seems to be fairly stagnant at this point in time. A number of office users are looking to consolidate and reduce their space requirements and are negotiating with landlords with regards to rental escalations and other pertinent lease terms.

Smaller office spaces are still in demand, with emphasis on residential areas and areas situated outside of the CBD. The lack of parking in the CBD has had a negative impact on the area's demand for space.

Rising development costs are putting significant strain on the feasibility of new developments thus forcing developers to charge above premium rentals. Furthermore, oversaturation of large spaces in the CBD is imminent with most of these spaces struggling to be leased at market related rentals. Despite the above mentioned factors, occupancy levels within Windhoek are still high with the average office vacancy rate currently at between 3% - 5%. Average asking rentals for space varies from US$9.5/m²/month to US$18/m²/month depending on the office grade.

INDUSTRIAL MARKET OVERVIEW

The Industrial market is currently sluggish with numerous large vacant parcels of land up for sale. These land parcels tend to be un-serviced with exceptionally high selling prices, and little or no demand has been recorded at this stage.

Smaller serviced sites in the Northern Industrial Area of Windhoek seem to attract more attention due to close proximity to the Windhoek CBD as well as having ease of access for trucks and vehicles. Additionally, tenants struggle to find premises that meet their specific requirements and needs as most warehouses have very low ceiling heights which do not allow for their high stacking requirements.

Industrial parks were recorded as being in demand throughout the first half of the year, with smaller warehouses of up to 450m^2 being preferred. While only a few industrial parks have been developed on the outskirts of Windhoek an increase in supply is expected as a result of the current pipeline with construction envisioned to commence early 2018. While plans for such developments are currently not available, most are being built according to tenant specific requirements.

Within Windhoek average asking rents for prime industrial spaces have been recorded as being between US$5/$m^2$/month to US$6.5/m^2/month with a vacancy rate of around 2% - 3% having been noted. The market is expected to remain relatively stable for the remainder of the year.

FACTS ABOUT **NAMIBIA**

Size: 824,392km^2
Capital City: Windhoek
Total Population: 2,513,981 (2017)
Youth Dependency: 61.1% (2017)
Elderly Dependency: 6.0% (2017)
Urban Population: 47% (2015)
Internet Users: 520,000 (March 2017)
Cellphone Subscriptions: 2,659,951 (2016)
GDP Growth Forecast: 2.6% (2017 est.)
Inflation Rate: 6.3% (May 2017)
Interest Rate: 7.0% (May 2017)
Local Currency/US$: 13.27 (May 2017)
Ease of Doing Business Ranking/190: 108 (2017)

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NIGERIA

ECONOMIC OVERVIEW

Whilst the Nigerian economy continued to face significant headwinds during the first half of 2017, there was some indication of a slowdown in economic contraction. Although the economy remained in recession with GDP growth in the first quarter at -0.52%, the economy contracted at a lower rate compared to the previous three quarters.

There was also a silver lining with respect to inflationary pressure in the economy. After sustaining an upward trajectory for 27 months, the Consumer Price Index (CPI) peaked at 18.72% in January before declining, reaching 16.25% in May.

Foreign reserves also experienced a significant boost, growing by around 16% throughout the first half of 2017 to just over US$30 billion. This growth, driven by a relative resurgence in the global oil price and uninterrupted local production, provided an opportunity for the Central Bank of Nigeria (CBN) to aggressively defend the naira (₦). Through the sale of over US$4 billion, the CBN was able to improve liquidity across different segments of the foreign exchange market. Whilst a notable difference remains between the official and parallel market rates, this improved forex liquidity has led to a significant convergence between both markets with the naira strengthening by around 30% from a peak of ₦516/US$ in February to ₦364/US$ in June on the more accessible parallel market. The improved forex conditions also provided an incentive for the CBN to open a new forex window for investors and exporters thus inciting some confidence in the investment market. Through this window, investors and exporters are able to repatriate investment capital, pay dividends, conduct export related transactions and meet other financial obligations.

The abovementioned aspects signify much needed respite for what has been a sustained period of negative economic performance. However, consolidating these relative improvements will require a sustainable regulatory framework that reduces uncertainty in the economy as well as the coordination of monetary and fiscal policies to improve macroeconomic conditions.

RETAIL MARKET OVERVIEW

Notwithstanding the respite reflected in some macroeconomic indicators, the harsh reality facing the retail sector remained largely unchanged. The negative macroeconomic performance recorded over the past 12 to18 months continued to have a slowing effect on the sector putting pressure on retailers and landlords alike. Whilst the improvement in forex liquidity and the ease in inflationary pressure were welcome developments, they remain relatively recent occurrences and are yet to sustain improved consumer confidence. This slowing effect on the sector has been reflected by slower take-up rates in recently delivered schemes which have taken much longer to fully let. Additionally, as retailers reassess their expansion plans, there has been more focus on older, more established shopping centres in core markets, causing recently delivered centres in both core markets and second tier cities to record slower leasing activity.

The tenants' market which has materialised has strengthened the negotiating position of many prospective tenants. This has sustained a downward pressure on asking and achievable rents and has spurred the demand for more favourable leasing conditions and commercial terms. In order to remain competitive many landlords have acceded to these demands and have been more willing to extend concessions as a way of attracting tenants to their centres. Additionally, amidst the challenging business environment, many landlords have sought innovative ways of driving performance and increasing the vibrancy in their centres. Consequently, some landlords have undertaken the reorganisation of their tenant-mix by adding kids play areas and other entertainment activities. Retail schemes that did not have provisions for cinemas in their designs are also looking to retrofit cinema screens into their existing structures.

Going forward, the retail sector stands to benefit as the positive macroeconomic performance gains traction. As inflation trends downwards and forex liquidity improves, it is expected that spending power amongst consumers will improve whilst retailers see some of their operational costs reduce. The new forex window opened by the CBN for investors is also expected to revive some confidence as landlords are now able to carry out dollar based transactions and meet other financial obligations much easier. However, it is important to note that this new window might put upward pressure on effective rents. As some landlords look to benchmark their rents with the rates offered on the forex window, rents which are quoted in dollars but paid in naira might trend higher as this window offers a devalued naira rate. Currently, average asking rents for 100m² - 200m² of prime retail space are roughly US$62/m²/month in the core markets of Abuja and Lagos whereas rentals in secondary markets are around US$44/m²/month. Whilst no new shopping centre developments were delivered in the first half of 2017, around 50,000m² is expected to be delivered over the next 6 to 12 months.

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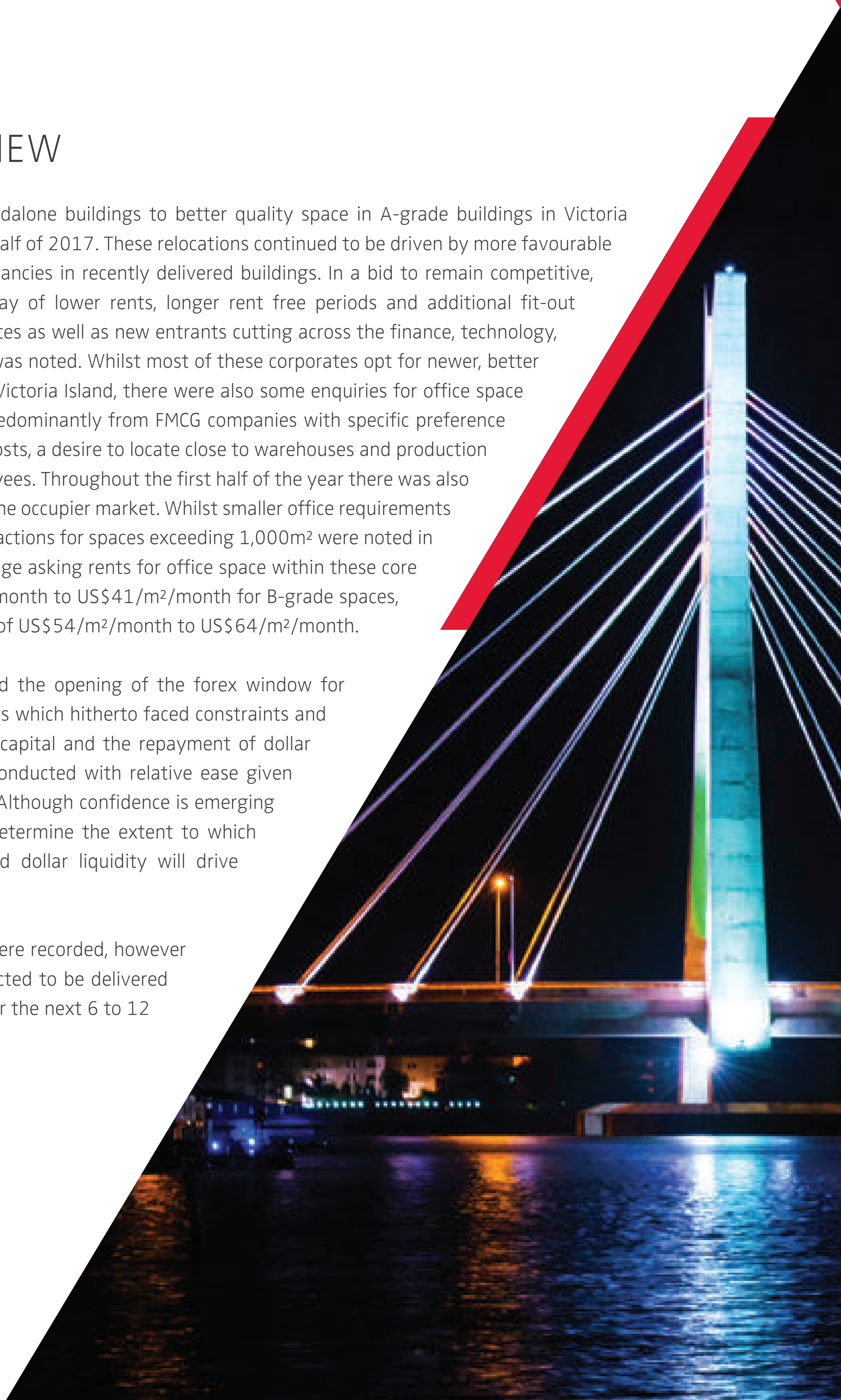
NIGERIA

OFFICE MARKET OVERVIEW

Relocations by corporates from B-grade and standalone buildings to better quality space in A-grade buildings in Victoria Island and Ikoyi remained a key theme in the first half of 2017. These relocations continued to be driven by more favourable leasing terms in the market as a result of the vacancies in recently delivered buildings. In a bid to remain competitive, landlords continued to extend concessions by way of lower rents, longer rent free periods and additional fit-out allowances. Overall, demand from existing corporates as well as new entrants cutting across the finance, technology, entertainment, pharmaceutical and FMCG sectors was noted. Whilst most of these corporates opt for newer, better quality buildings in the core markets of Ikoyi and Victoria Island, there were also some enquiries for office space in secondary locations. This demand emanated predominantly from FMCG companies with specific preference for the mainland in view of cheaper occupational costs, a desire to locate close to warehouses and production sites as well as allowing easier commute for employees. Throughout the first half of the year there was also a resurgence in demand for larger office spaces in the occupier market. Whilst smaller office requirements of 200m^2 to 500m^2 held sway, enquiries and transactions for spaces exceeding 1,000m^2 were noted in the core markets of Ikoyi and Victoria Island. Average asking rents for office space within these core markets vary between approximately US$33/m^2/month to US$41/m^2/month for B-grade spaces, while A-grade spaces have average asking rentals of US$54/m^2/month to US$64/m^2/month.

The increased dollar liquidity in the economy and the opening of the forex window for investors has boded well for landlords. Transactions which hitherto faced constraints and difficulty, such as the repatriation of investment capital and the repayment of dollar based loans and dividends, are now able to be conducted with relative ease given the improved access to forex in this new window. Although confidence is emerging in the investor market, it remains too early to determine the extent to which the improving economic indicators and improved dollar liquidity will drive investment activity in the office sector.

In the first half of 2017 no new office deliveries were recorded, however around 52,000m^2 of A-grade office space is expected to be delivered to the core markets of Ikoyi and Victoria Island over the next 6 to 12 months.



INDUSTRIAL MARKET OVERVIEW

Other than some recorded relocations, there has been little noteworthy activity in the industrial market throughout the first half of the year. The overarching challenges posed by Nigeria's largely underdeveloped industrial and manufacturing base, through the decades, continue to have an adverse effect on the industrial sector.

Currently there is a significant mismatch between the demand and supply of stock in the market. Most of the existing facilities are old and designed with low eave heights as well as inadequate turning circles which do not meet the quality and standards required by many corporates. Over the years, the case for allocating much needed investment capital towards developing new industrial parks has been less convincing from an investors' viewpoint. As such, the development appetite in the industrial market has been much less aggressive relative to the office, retail and residential sectors. The high cost and limited availability of land in desired locations such as Lagos as well as the lack of adequate infrastructure to transport goods from cheaper sites situated further away from commercial hubs reduces the investment potential of the sector. This is further emphasised by the rents commanded which are currently too low to attract much needed investment capital. Average asking rentals for prime industrial space ranges from US\$1/m^2/month to US\$5/m^2/month, depending on location.

It is important to note that sustained demand for industrial space from both international and local corporates mainly in the FMCG, pharmaceutical and retail sectors continues to be evident. In view of the inadequate supply, many occupiers have been constrained to owner occupation or renting older stock which has to undergo significant upgrades in order to meet desired standards and requirements.

Over the coming years, increased activity in the industrial sector will hinge on sustainable policies to revive the industrial and manufacturing base of the country. This would be strengthened by investment into adequate attendant infrastructure (roads, rail, ports, power, etc.) that can lead to the repositioning of the sector. Whilst the current government's plan to diversify the economy and reduce the country's dependence on imports is a step in the right direction, the full impact on the industrial sector will be better determined over the long-term.

FACTS ABOUT **NIGERIA**

Size: 923,768km²

Capital City: Abuja

Total Population: 191,835,936 (2017)

Youth Dependency: 82.1% (2017)

Elderly Dependency: 5.1% (2017)

Urban Population: 48% (2015)

Internet Users: 91,880,032 (December 2016)

Cellphone Subscriptions: 154,342,168 (2016)

GDP Growth Forecast: 1.1% (2017 est.)

Inflation Rate: 16.3% (May 2017)

Interest Rate: 14.0% (May 2017)

Local Currency/US\$: 316.21 (May 2017)

Ease of Doing Business Ranking/190: 169 (2017)

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SOUTH AFRICA

ECONOMIC OVERVIEW

South Africa (SA) is the continent's most developed economy and is a labour intensive country, with strong labour market volumes in terms of semi-skilled and unskilled labour. The country does however face significant socio-economic challenges such as income disparities and high unemployment which increased to 27.7% as at Q1:2017 (up from 26.5% in Q4:2016). Broader issues affecting SA on a national level are drawn-out labour disputes in major industries, especially mining and manufacturing, interruptions in electricity supply and water shortages in certain parts of the country as a result of the on-going drought.

The country has been faced with a largely negative economic environment in the first half of 2017. Contributing factors include the likes of ratings agencies downgrading the country's sovereign credit rating, with Fitch and S&P in particular downgrading the country to sub-investment grade, as well as a low consumer confidence index of -9 and a low business confidence index of 29 as at Q2:2017. Additionally, SA also entered a technical recession as at Q1:2017 when a quarterly decline of -0.7% in GDP was recorded following a -0.3% contraction in the last quarter of 2016. On an annual basis GDP growth has also been declining from 1.4% in 2014 to 1.3% in 2015 and to 0.3% in 2016, and although forecasts for 2017 are marginally higher at around 0.5%, this is a low growth expectation.

Annual inflation has however been showing signs of improvement. The South African Reserve Bank's (SARB) Monetary Policy Committee (MPC) has set a 3% to 6% inflation target figure as being acceptable and since September 2016 inflation has been rising above this target range, however within target rates have been evident since April 2017 where 5.3% was recorded, followed by 5.4% in May 2017 and 5.1% in June 2017. This improvement has been attributed to aspects such as reduced pressures on food prices and the appreciating of the rand's exchange value, among other factors.

The rand has remained relatively stable throughout the first half of 2017 averaging R13.23/US$ between January and May, which is an improvement from an average of R15.51/US$ during the same period in 2016.

RETAIL MARKET OVERVIEW

SA has a developed retail market which is estimated to consist of more than 24.4 million m^2 of formal retail space with roughly 1.7 million m^2 of additional space said to be in the pipeline. Even though Gauteng is the smallest province in terms of size (18,178km^2), the province is home to the largest number of shopping centres in the country totalling roughly 10.8 million m^2, followed by the Western Cape (3.6 million m^2) and KwaZulu-Natal (3.3 million m^2). Furthermore, online shopping has been growing in popularity in SA, with a number of retailers now offering online shopping as well as click and collect in certain instances thus changing the dynamics of shopping within the country.

The SA retail market has welcomed a number of international retailers over recent years as a number of these retailers choose to make their African debut in SA. Some international retailers which have entered the market recently include the likes of Starbucks, Krispy Kreme, Dunkin' Donuts, Zara Home, Michael Kors, Jamie Oliver's Jamie's Italian Restaurant, Southern Fried Chicken, Popeyes Louisiana Kitchen and PAUL.

Within major metropolitan areas typical retail lease periods average between 2 and 5 years. Prime gross achievable rentals for a typical 200m^2 white box premises can vary from R235/m^2/month to R450/m^2/month (US$17.7/$m^2$/month to US$33.9/m^2/month) (city dependant) with escalation rates being generally around 8%. Furthermore, operating costs can average between R40/m^2/month to R60/m^2/month (US$3.0/$m^2$/month to US$4.5/m^2/month) while retail vacancy rates vary from 2% to 5%, centre type and city dependant.

The current economic conditions, including aspects such as household debt to disposable income at 73.2% and the increasing costs of living, are however placing increased pressure on the retail market. This is evidenced by the number of store closures noted over the last few months, annual financials of large nationals indicating reduced sales, retailers becoming more cautious with regards to expansion plans, lease negotiations becoming more challenging, rental negotiations and rent reductions becoming more evident and a number of retailers (especially marginalised retailers) struggling to meet their monthly financial commitments.

Even though, in real terms (constant 2012 prices) retail trade sales for SA increased by 1.5% year-on-year and 0.3% month-on-month as at April 2017, it is expected that consumers will continue to be cautious with regards to spending and a decrease in luxury and discretionary spending is likely. Furthermore, as a result of the vast availability of retail space, in addition to proposed space, retail cannibalisation may become more of a reality as the available tenant pool is becoming smaller with little differentiation between centres in the current market. Thus providing *shoppertainment*, unique offerings and advanced technological platforms within a centre are set to become increasingly important.

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SOUTH AFRICA

OFFICE MARKET OVERVIEW

The office sector, which is estimated to measure around 18million m² according to SAPOA, is also experiencing a degree of pressure as a result of current economic conditions. This is evident by a change in demand for space within certain nodes across the country as well as cautious attitudes being adopted by a number of corporates. However, road infrastructure upgrades and new office developments coming onto the market are increasing the attractiveness of a number of nodes and growth has been evident in areas such as Sandton, Rosebank and Century City which are situated in close proximity to public transport infrastructure (Gautrain, Rea Vaya and My City).

The consolidation of office branches of a number of companies has been evident over recent years which has resulted in large vacancies within decentralised nodes, leaving some buildings with large vacancies which are difficult to let. Since 2015 vacancies within Sandton have experienced a decreasing trend as large corporates have been consolidating space across the province by moving into central head office space in Sandton. Simultaneously vacancies in other Johannesburg office nodes have been rising due to these consolidations. Vacancy rates are also being influenced by the new, higher density rates which are in demand particularly from international occupiers which are resulting in less space being taken up for the same number of employees today versus a few years ago. Thus design and space utilisation are becoming major factors with regards to the size of spaces in demand. Nationally, the office vacancy rate was 11.8% as at Q2:2017 up from 11.1% recorded in the previous quarter, with P-grade space recording a vacancy rate of 4.9%, A-grade 9%, B-grade 15% and C-grade 18.5%.

A number of office buildings within the country's older CBD's have been redeveloped or are undergoing redevelopment with the intention of being repurposed into student accommodation or high density housing. Additionally, energy efficiency continues to be an important aspect for new developments, for both tenants and landlords alike, due to increasing operating costs and as such the number of green office buildings across the country continue to rise.

Prime gross achieved rents in major metropolitan areas average between R165/m²/month to R200/m²/month (US$12.4/m²/month to US$15.1/m²/month), with certain nodes achieving close to R250/m²/month (US$18.8/m²/month) in specific instances. Office escalation rates tend to range between 8% and 9% with typical lease periods of 3 to 5 years, while operating costs vary from R28/m²/month to R50/m²/month (US$2.1/m²/month to US$3.8/m²/month).

INDUSTRIAL MARKET OVERVIEW

The SA industrial sector has been under pressure over the last few years due to continued labour strikes in the mining, metal and engineering sectors along with other aspects such as increased electricity tariffs and increased fuel prices.

As at Q1:2017 SA's manufacturing industry experienced a quarterly decline in growth of -3.7%, on the back of -3.1% recorded in Q4:2016 as well as -3.3% in Q3:2016, and contributed -0.5% to the country's overall negative GDP growth of -0.7%. Whereas the mining and quarrying industry grew by 12.8%, an improvement from the -11.5% recorded the previous quarter, and contributed 0.9% to GDP growth, primarily due to increased production in the mining of gold and other metal ores.

With regards to current market conditions, developments with high yard ratios in addition to warehouses with high category ASIB ratings on firefighting equipment appear to be in demand particularly within the most sought after logistics nodes across the country. Furthermore, new warehouse developments are generally being constructed on demand, although developments of smaller units on risk are also evident. In relation to online shopping, this is expected to lead to a demand for decentralised warehouse facilities within closer proximity to ports. Even though the influence of online shopping is already evident in some parts of the country, it is expected that decentralised developments will take some time to filter down into the market. Moreover, as and when high speed fibre is rolled out and internet adoption rates increase significantly it is expected that further demand for premium grade distribution centres as well as *last-mile* general warehousing closer to customers will become evident. Current market conditions and the continued poor performance of the manufacturing sector will affect the demand for space in older, heavier industrial nodes while newer nodes with modern space will continue to attract interest.

Prime gross achieving rents for existing modern warehouse space (2,000m^2 – 4,000m^2) in the country's major metropolitan areas range from R50/m^2/month to R65/m^2/month (US$3.8/$m^2$/month to US$4.9/m^2/month) with escalation rates of around 8% to 9%. While triple net rentals have been recorded at R60/m^2/month to R65/m^2/month (US$4.5/$m^2$/month to US$4.9/m^2/month) for new, purpose-built developments which have 40% to 50% yard ratios with expected completion dates of mid to end 2018. Additionally, typical lease periods are generally between 3 and 5 years with some large global or national corporate leases being for 10 years.

FACTS ABOUT **SOUTH AFRICA**

Size: 1,219,090km^2
Capital City: Pretoria (Administrative), Cape Town (Legislative), Bloemfontein (Judicial)
Total Population: 55,436,360 (2017)
Youth Dependency: 43.6% (2017)
Elderly Dependency: 7.9% (2017)
Urban Population: 65% (2015)
Internet Users: 28,580,290 (June 2016)
Cellphone Subscriptions: 76,653,421 (2016)
GDP Growth Forecast: 0.5% (2017 est.)
Inflation Rate: 5.1% (June 2017)
Interest Rate: 7.0% (May 2017)
Local Currency/US$: 13.27 (May 2017)
Ease of Doing Business Ranking/190: 74 (2017)

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ZAMBIA

ECONOMIC OVERVIEW

Zambia has an estimated population of 17 million people with an average annual growth rate of around 3%. Furthermore, roughly 41% of the population is urbanised, although unemployment forecasts currently measure 15% for 2017.

The country is one which has enjoyed political stability and is Africa's second largest copper producer, following the Democratic Republic of Congo. Increased global copper prices as well as reduced royalties and taxes for Zambia's mining sector are some of the factors which have boosted confidence in this sector and are expected to result in increased growth. However, power shortages and policy uncertainty are some of the challenges which the country faces.

Zambia recorded a strong annual GDP growth of above 5% between 2005 and 2013, averaging 7.7% during this period. However, in 2014 growth subdued to 4.7%, declining further to 2.9% in 2015 while remaining subdued throughout 2016, with estimated figures indicating an overall GDP growth rate of 3.1% for 2016. This declined growth has been attributed to high credit costs, power shortages and low commodity prices, among other factors. Forecasts for 2017 are that growth should reach 3.3%, due to aspects such as expected improved performance in the agricultural, energy and mining sectors and above 4% until 2020.

Year-on-year (y-o-y) inflation increased to 6.8% in June 2017 up from 6.5% in May 2017. Even though this is a slight increase it is a vast decline from the 21% recorded in June 2016. The double digit figures which were recorded throughout 2016 were primarily attributed to the drought which increased food prices drastically. Subsequent rainfalls have resulted in improved food availability which has contributed to the single digit inflation figures for 2017 thus far. Y-o-y food inflation reached 5.8% in June 2017, a slight decline from 5.9% in May 2017, due to a change in prices for bread and cereals, meat as well as fresh milk. While the increase in non-food prices from 7.3% (May 2017) to 8% in June 2017 can be mainly attributed to increased electricity tariffs which increased by 50% in May 2017 with an additional increase of 25% scheduled for September 2017. In light of these tariff increases, forecasts predict that inflation may average 8.2% for 2017 and reach 9.2% in 2018.

RETAIL MARKET OVERVIEW

The retail market in Zambia has recorded a huge amount of growth over the years from only one shopping centre, Manda Hill that opened in October 1999, to more than 20 centres today in Lusaka alone.

Increased demand from major regional retailers to be located within the country's retail environment has been evident, with the availability of such retailers expanding from just one regional supermarket, Shoprite, in 1995 to currently more than five which include the likes of Shoprite, Choppies, Pick n Pay, Food Lovers Market and SPAR.

In 2016, new centres added to the market included Centro Kabulonga Mall and Garden City Mall both of which opened late 2016. These new centres along with existing centres such as Manda Hill, Arcades, Levy Junction, East Park, Makeni Mall and Cosmopolitan Mall make up the main retail developments within Lusaka. Additionally, centres scheduled to open before the end of 2017 include, but are not limited to, Waterfalls, Great North Mall, Chirundu and Kabwe Mall.

Average asking rentals for prime space between 100m^2 and 200m^2 vary between US\$30/m^2/month to US\$45/m^2/month, while the average vacancy rate for the retail sector currently sits at roughly 15% to 20%.

FACTS ABOUT **ZAMBIA**

Size: 752,618km^2
Capital City: Lusaka
Total Population: 17,237,931 (2017)
Youth Dependency: 88.3% (2017)
Elderly Dependency: 5.6% (2017)
Urban Population: 41% (2015)
Internet Users: 3,167,934 (March 2017)
Cellphone Subscriptions: 12,017,034 (2016)
GDP Growth Forecast: 3.3% (2017 est.)
Inflation Rate: 6.8% (June 2017)
Interest Rate: 12.5% (May 2017)
Local Currency/US$: 9.23 (May 2017)
Ease of Doing Business Ranking/190: 98 (2017)

Contact Broll Zambia
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ABOUT US

BROLL PROPERTY GROUP

Founded in 1975, Broll Property Group is an award-winning and one of Africa´s leading commercial property services companies serving the investor and occupier markets. Broll offices include Angola, Ghana, Ivory Coast, Kenya, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Nigeria, Reunion, South Africa, Swaziland, Uganda and Zambia with operations in other Sub-Saharan African countries.

Broll offers services which include auctions and sales, facilities management, industrial, investment and office broking, occupier services, property management, retail leasing and projects, research, shopping centre management, valuation and advisory services, own patented Broll-Online property-management software solution and a property search function with a vast database of commercial property listings in South Africa and countries where we have offices.

Since 2004, Broll has represented CBRE in Sub-Saharan Africa and through this affiliation, Broll is able to offer unrivalled global market knowledge to the benefit of clients. Together with South Africa, other CBRE affiliates include Broll Ghana, Broll Indian Ocean and Broll Nigeria.

BROLL
ACADEMY

Established in 2002 in partnership with the University of Pretoria, the Broll Academy aims to improve the property skills and knowledge of Broll employees.

It was the first of its kind to provide in-house training for employees in the commercial, retail and industrial property sectors.

Our goal continues to be lifelong learning for our employees. Academy courses empower employees to be more productive in the workplace, gain confidence and maximise long-term potential within the Group.

Broll Academy offers courses which include Introduction to Property Management, Lease Negotiation, Introduction and Advanced Facilities Management.

The Group also offers Internship and Learnership programmes. Learnerships enable young people to obtain work-based learning that leads to a National Qualifications Framework (NQF) registered qualification directly linked to their area of work.

BROLL
FOUNDATION

FOUNDATION

Founded in 2002, the Broll Foundation represents the Group's corporate social responsibility arm.

We are as passionate about property as we are about the lives we touch in the process and the communities in which we operate. Our aim is to improve the quality of life of the less fortunate in society.

For more information or to get involved, contact the Broll Foundation by emailing: brollfoundation@broll.com

AUCTIONS AND SALES

Broll Auctions and Sales, a joint venture between Broll Property Group (Pty) Ltd and Greenday Property specialises in property auctions, deal making, tenders and private treaty sales.

We represent buyers and sellers across the industrial, office, retail and residential sectors with a diversified clientele in agriculture, high density residential developments, leisure and hospitality sectors.

Led by a team of property experts, our combined knowledge, strong acumen in property transactions and astute trading experience, we are able to assist both our buyers and sellers in the acquisition and disposal of assets.

We have comprehensive database of select buyers, sellers, landlords, tenants and investors who all contribute to our ability to create successful property transaction platforms.

At Broll Auctions and Sales, we pride ourselves in professionalism, discretion and complete confidentiality in the provision of specialist, premier services to companies as well as individual buyers, sellers and investors.

WHY CHOOSE TO AUCTION?

Globally and in South Africa, property is seen as a safe long-term investment asset class with buyers and sellers always looking for the best buys and value for money. Property auctions are fast becoming a preferred method for buying and selling property for many investors.

The auction process is transparent, buyers pay a fair market value for the purchase and what's more, buyers also know that they are dealing with a serious seller who will price right and in line with market expectations.

COMMERCIAL PROPERTY BROKING

When it comes to commercial property broking, we always put our clients' needs first. Our services include industrial leasing, investment broking and office leasing. To best service your needs, we have:

- Access to global information through our affiliation with CBRE
- Access to a wide range of value-adding services
- Comprehensive in-house research and analysis capabilities
- Knowledge driven team-based approach to solving your property needs
- National and Sub-Saharan African footprint
- Unmatched database of high quality office and industrial properties available to let
- Working relationships with major listed and unlisted property funds

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INDUSTRIAL BROKING

Finding the right industrial property or space often involves a combination of complex technical considerations which include electricity supply, access to distribution hubs, airports and rail links, turning circles for large vehicles, load-bearing floors, roller shutter doors and high eaves among others.

All of these factors have to be taken into account, and finding the property with the perfect combination of elements can be complicated. Save time and let our specialised industrial brokers find the right property for you.

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INVESTMENT BROKING

Our dedicated team of investment brokers can assist with properties within and beyond South Africa through our global network partner CBRE. If you're looking to acquire or dispose your property portfolio, Broll has the connections to help you.

We have an in-depth understanding of the commercial investment market, the experience and the knowledge needed to correctly manage various assets. Our property management skills are well respected within the industry.

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OFFICE BROKING

Finding the right offices to let is not just about square metres and parking ratios – it's more about the office space meeting the tenant's business needs. With an experienced team and comprehensive database of available rental properties for commercial use and commercial properties for sale, Broll has the resources to make that match for you.

Some of the world's leading multinationals trust us to act as their letting agents, shouldn't you?

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FACILITIES MANAGEMENT

Broll Facilities Management is dedicated to the co-ordination and functionality of space as well as control expenditure while improving service delivery for our clients.

Facilities Management allows property owners to focus on what they do best, leaving the management of non-core support services to property specialists.

We provide our clients with accountable and measurable service levels benchmarked to international best practice in facilities management. Our affiliation to CBRE, the world's largest commercial real estate services and investment firm enables us to provide our clients with best practise standards in all of our operations. This affiliation as well as the association with renowned higher learning institutions provides Broll with expertise as a thought leader in the facilities management sector.

Broll provides for the day-to-day operations and facilities management of buildings.

OUR SERVICES INCLUDE:

SOFT SERVICES

Cleaning | Hygiene | Internal Plants Landscaping | Pest Control
Waste Management | Security

HARD SERVICES

Air-conditioning | Asset Management | Building Condition Assessments | Building Fabric Maintenance | Capital Projects
CCTV | Electrical | Energy Management | Generators
Fire Systems | Lifts | Project Management

BUSINESS SUPPORT SERVICES

24/7 Call Centre | ISO 9001:2008 Certified | Reception
Computerised Maintenance Management Systems
Occupational Health and Safety Services | Quality Management

OCCUPIER SERVICES

Think of us as your in-house corporate real estate service providers, dedicated to understanding your unique needs as a business and aligning your real estate to meet your objectives.

We offer integrated services that include experienced property professionals for all your portfolio requirements: transaction management, strategy, data management, estates management, project management and facilities management.

Our specialised teams will manage your property acquisitions, disposals and renewals as well as administer and report on your lease agreements and monitor utilities on your behalf. We will work with you to deliver an optimum real estate structure and will negotiate on your behalf to achieve the best terms for you, backed by our extensive knowledge of the real estate market.

Broll Occupier Services focus on delivering corporate real estate services that are both cost effective and value enhancing. We offer accountable, customised and innovative solutions that minimise your property spend while adding value to your business. This allows your portfolio to work smarter while benefitting from consistent service delivery and reporting, while you focus on your core business.

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PROPERTY MANAGEMENT

How you manage your property today has a great impact on its value tomorrow. This is a concept that Broll fully understands, and it underpins how we manage your property portfolio.

Broll's commitment to proactive portfolio-based property management through strategic leasing, planned building life-cycle maintenance, utilities management and use of technology is focused entirely on unlocking the true potential and long-term value of clients' properties.

Our clients include some of Africa's large property portfolios - both listed and private funds have chosen us as a preferred service provider thanks to our proven track record which spans over four decades.

We align the interests of the property investor, the tenants and the manager utilising a blended recipe of skills, experience, knowledge, relationships and proactive operational efficiency including establishing proper checks and balances in the property operation process.

In addition, every aspect of our property management processes conforms to the ISO9001:2015 standard - an international benchmark respected by all investors – meaning you get a tailored solution that meets global standards no matter where your properties are located.

PROPERTY MANAGEMENT

Our four P's allow us to successfully implement management strategies tailor-made for individual property portfolios. These are:

PEOPLE

Our flat management structure empowers staff to take responsibility and act on their own initiative. This flexibility means that your requests will be fulfilled quickly and efficiently.

PROCESS

Through Broll-Online, our industry leading proprietary software, you can monitor all important management criteria from the comfort of your office or home, wherever you are in the world.

POSITION

Broll has offices across South Africa and Sub-Saharan Africa with specialised property management teams to assist with all your property management needs.

PERFORMANCE

You get the benefit of exposure to global best practice thanks to Broll's affiliation with global commercial real estate and investment firm, CBRE.

RESEARCH

At Broll Research, we specialise in converting property data into market knowledge providing our clients with knowledge based research across various commercial property segments.

Our research teams across Sub-Saharan Africa enable us to add value to our clients' portfolios, hence empowering them to make well informed decisions and improve the performance of their investments wherever they may be located across the continent.

We use the comprehensive database of buildings under our management as well as a number of in-house databases across various markets as the basis for all of our research.

Who needs property research?

Anyone involved in the property industry, from landlords to tenants and investors to property professionals can benefit from the up to-date and relevant information that research provides.

RETAIL LEASING AND CONSULTANCY

Our team provides professional assistance and invaluable intellectual capital, from a conceptual phase to a fully-functioning shopping centre. We understand the dynamics of the retail environment, which means our clients can be assured that they have a wealth of knowledge at their disposal.

In addition to Greenfield projects, we are ideally suited to coordinate refurbishments and provide input on the strategic market positioning of a particular retail centre. We are in contact with all of the major retailers and have the connections to act as letting agents for existing centres as well.

Our team consists of high caliber, experienced retail leasing consultants that have a comprehensive understanding with regards to the various types of retail developments and markets alike.

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VALUATION AND
ADVISORY SERVICES

VALUATION AND ADVISORY SERVICES

We offer professional services for the valuation of land and buildings, including, real rights, servitudes and usufructs as well as plant and machinery assets. Valuations are provided at market value for sales and acquisitions, for financial reporting, rental valuations, rating appeals and also for insurance purposes.

Additional services include due-diligence audits for property acquisitions and development appraisals.

The extensive experience of our valuation team allows us to value property, plant and machinery assets across Sub-Saharan Africa, where we work closely with our in-country offices across all territories.

Our team includes Chartered Surveyors and Professional Valuers registered with both the South African Council for the Property Valuers Profession and the South African Institute of Valuers. Broll Valuation and Advisory Services also employs and mentors Candidate Valuers as support staff.

The Network Affiliate relationship enjoyed by Broll Property Group with CBRE allows us access to best professional practice and research enabling us to keep up with the latest developments in international valuation standards.

We comply with international best practice as set out in the RICS Red Book and the guidelines adopted by the International Valuation Standards Committee. In addition, we use industry leading software that further enhances our competitive edge.

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